

**U.S. AGENCY FOR
INTERNATIONAL DEVELOPMENT
BUCHAREST, ROMANIA**

**Results Review
And Resource Request
FY2001**

The attached results information is from the FY 2001 Results Review and Resource Request (R4) for Romania and was assembled and analyzed by USAID/ROMANIA.

The R4 is a “pre-decisional” USAID document and does not reflect results stemming from formal USAID reviews. Additional information on the attached can be obtained from :

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March 1999

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Released on or after Oct. 1, 2001

USAID/Romania
FY2001 R4
Cover Memo

The environment for strengthening the market economic and democratic transitions in Romania remains difficult. The Government of Romania (GOR) has moved extremely slowly in taking the substantive reforms to push the country in the right direction. Thus, the inconsistent policy environment slows growth, impedes investment, perpetuates a weak financial sector and sows the seeds for political discord and economic failure. Despite confronting this situation, the USAID program still had modest success in meeting the objectives of its management contract. In particular, the Mission has exceeded or met planned results related to local government, agribusiness, small business, women's health and child welfare. It partially met or neared planned objectives in capital markets, privatization, energy, and environment programs.

Over the last year and given the current environment, the entire U.S. Mission has reviewed the situation and revised the approach to addressing obstacles and pursuing avenues of success. The U.S. Mission Performance Plan (MPP) has encompassed all USG agencies in Romania and fostered a total interagency approach. Strategies and objectives have been established that rely on the synergies of interagency programs to reach beyond the results planned by each entity. The U.S. Mission has designated USAID, the agency managing most funding resources, as the engine behind the MPP's implementation. In most cases, USAID's program smoothly fit into the strategies employed in the MPP. In other cases, USAID has expanded into new areas not previously contemplated in its strategy and R4. Thus, efforts to focus and consolidate the activity portfolio have abated with Chief of Mission and ENI/AA concurrence. Additionally, the assertive USAID implementation position for the MPP has necessitated a significant increase in staffing to meet the demands. USAID's ENI Bureau Senior Management approved the new dynamic approach both in substance and personnel during a November 1998 program review held at Post.

USAID will play an expanded role in implementing joint agreements through the Enhanced Strategic Partnership. In particular, USAID will work to integrate two key objectives into its portfolio. One will be to identify mechanisms in the private sector, government and NGOs to establish programs which encourage Romanian students studying in the U.S. to return to Romania, thus limiting the current brain drain affecting productivity plus increase the number of young leaders with exposure to American culture. A second will be to integrate measures that encourage the use of Romanian-American technical assistance and volunteers in our portfolio.

To continue integrating and reflecting USAID's activities into the MPP, the Mission has made some revisions to its previous R4 submissions. It has consolidated SOs and IRs in more meaningful ways. Further, the Mission has reviewed its indicators. Many of the previous indicators were unclear and proved difficult to collect reliable data. The Mission was reporting on 55 indicators, an overwhelming figure. In this R4, the Mission will report on about 20, and will develop valid and reliable performance monitoring plans

for each over the year. Changes to previous indicators, deletions, and additions are reported in each SO section and within the indicator tables. The Mission incorporated in the narrative sections as best as possible the data from previously reported tables.

Related to specifics of the management contract, the impending financial crisis has demonstrated the integral connection between USAID's financial and fiscal sector activities. Plus, to better position our resources and management structure to support the IMF and World Bank programs, we have folded SO 1.1 back into the SO 1.4. The Private Sector Division Chief along with a senior specialist in Financial Services and four Treasury specialists will forge a better linkage with privatization, banking, capital markets and fiscal rationalization efforts, and encourage U.S. private sector participation. The P.S. Officer will also help spur business development and U.S. trade while intensifying, with support of a Senior Agribusiness advisor, agribusiness and MSME (SO 1.3) activities. These modifications will enable the USG to exploit its comparative advantage in vital sectors, which will drive growth in Romania.

The Mission recently added senior professionals to refine our energy and environment programs (SOs 1.5 and 1.6) and to correspond Mission activities to MPP strategies. The Energy Advisor is helping to define MPP strategies and is assessing continuing restructuring and efficiency activities to better position USG assistance. The Environmental Advisor is refining USAID's pollution and policy efforts while weighing new MPP opportunities in forestry and the Danube delta.

A new USPSC Democracy Officer will fashion dynamic activities (SO 2.1) to improve the political and democratic environment, particularly in political party strengthening and exposure training of government and party youth, and labor development. With the help of a new FSN PSC located in Cluj, the program will emphasize ethnic issues. Anti-corruption efforts will drive our judicial reform approach. Along with maintaining some ongoing activities, this area has witnessed growth in funding and management units.

The Mission's highly successful Local Government program (SO 2.3) has entered the next stage to deepen and expand decentralization. Assistance in municipal credit development could produce an embryonic municipal credit system within the coming year. An additional local economic development activity further devolving power to municipal government and local communities will also link with the cross-cutting local development strategy.

With additional staffing, the Mission has also enhanced its capacity to successfully carry out its complex and highly visible social sector restructuring program (SO 3.2). Child welfare, women's health and health reform activities are designed to reinforce and enable decentralization, local development and community empowerment. Baseline data is being collected and reliability will be improved at the local level.

Finally, a new cross-cutting component of SO 4.2 will identify synergies across SOs at the local level. It will also provide flexibility to respond to difficult adjustments on the social side of the financial crisis and reform. Surveys, information collection and

coordination efforts are already underway and opportunities to satisfy MPP goals that do not relate to existing SOs are being identified. The Mission is developing community empowerment models and best practices for integrated local development which are consistent with the ENI Bureau's new vision. Across all SOs, new initiatives that promote and facilitate American volunteerism, expanded partnerships, use Romanian-American technical assistance expertise and increase linkages with American organizations will enhance and broaden Mission programs.

**R4 2001
USAID/Romania**

Table of Contents

<u>Section</u>	<u>Page</u>
Cover Memo	1
Part I. Overview and Factors Affecting Performance	3
Part II. Results Review by Strategic Objective with Data Tables	6
S.O. 1.3 Accelerated Development and Growth of Private Enterprises	6
S.O. 1.4 A More Competitive and Market-Responsive Financial Sector	10
S.O. 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector	14
S.O. 1.6 Increased Environmental Management Capacity to Promote Sustainable Economic Growth	18
S.O. 2.1 Increased, Better-informed Citizens Participation in Political and Economic Decision-making	22
S.O. 2.3 More Effective, Responsive and Accountable Local Government	26
S.O. 3.2 Improved Welfare of Children and Women	31
S.O. 4.2 CROSS-CUTTING: Human Capacity and Strategic Local Development	36
Part III. Resource Request	38

TABLES:

Global Field Support

Workforce

USDH Staff Requirements

Operating Expenses

Budget Table by Program/Country

INFORMATION ANNEXES:

ENI R4 Detailed Budget Information

Updated Results Framework

Environmental Impact

Global Climate Change

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I. Overview and Factors Affecting Program Performance

Romania's Transition: Romania faces a pivotal juncture in its transition to a free-market democracy. With its population of 22.6 million and its position near strife-ridden areas and countries still trying to make the transition, Romania can help fortify the deepening democratic and free market traditions in the whole of Southeastern Europe. With tremendous potential for growth and prosperity, Romania could become a more important trading partner with the U.S., Europe and sub-regionally, which in turn would accelerate its integration into the west. If it fails to progress, Romania could plunge into worsening poverty and humanitarian conditions, produce gains for extremist political parties, exacerbate environmental problems, and undermine the gains being achieved in the region.

Its performance in 1998 was marked by hesitation in instituting needed economic policy changes and implementing reforms. The expectations raised by the 1996 election of a pro-reform government have turned into widespread disappointment. Opinion polls show the majority of the population is in favor of reforms but frustrated by its slow pace and lack of results. The government's lack of decisiveness in carrying out economic reforms has stalled the IMF stand-by and the World Bank SAL agreements until June. Reaching agreement with international financial institutions is imperative for meeting foreign debt obligations due this summer and avoiding financial collapse. Despite increased momentum in privatization at year's end, the GOR has not yet taken the necessary steps to reverse economic decline. This is particularly true in the financial sector, where the perception of an impending collapse has undermined confidence, fueled wild currency devaluations and stalled investment. Critical USG support to help the GOR implement major reforms will help switch tracks from economic decline to stable, accelerated growth.

Romania's Economic performance reveals the persistent state domination of the economy, thwarting significant restructuring and changes in the ownership structure of the real economy, and necessary capital inflows. In 1998, GDP decreased 5.9 % from 1997 and is expected to decline 2% in 1999. Industrial output experienced its steepest decline in six years, mainly due to the closing of large loss-making state enterprises. Although inflation decelerated sharply in the past two years, from 130% in 1997 to 40.6% in 1998, it remains high and consumer prices are expected to rise in 1999. The GOR kept a tight rein on money supply, which helped lower inflation but also constricted growth. The exchange rate devalued at a higher than expected rate (23%) and the steep decline in the final quarter of 1998 still did not help exports. Exports declined by about 2% while imports rose by more than 4%. Total foreign investment increased by 31% in 1998, but the cumulative total between December 1990 and December 1998 amounted to \$3.6 billion, which is low for the region.

Close to 60% of the economy is now in private sector, but the Romanian economy is a dwindling pie and the private sector share still falls below that of neighboring countries such as Hungary and the Czech Republic (80%), Slovakia and Albania (75%). Despite the GOR's efforts to privatize major state-owned industries and close large, loss-making entities late in 1998, lagging privatization is further encumbered by long delays in listings, tardiness in capturing of cash privatization sales, the slow pace of industrial and agricultural reform, and the burden of bad debt in the state-dominated banking system. Ratings for Romania's banking and financial systems are among the lowest in the region. Thompson Bank Watch international rating agency recently downgraded Romania's country risk from B plus to B minus, citing internal and external debt

servicing difficulties, economic stagnation, and political obstacles to implementing reform.

While some important reform legislation has passed – most notably Local Taxes and Fees, Local Public Finance, and Patrimony laws, ordinances to restructure and reform the Energy Sector - implementation is retarded by incomplete regulatory regimes and insufficient administrative systems. A November 1998 report to the cabinet stated that the Finance Ministry's budgetary and revenue functions are impaired by the lack of implementing regulations for 14 reform laws.

Romanian Democracy exhibits, at least in nascent form, the key foundational components. The process of decentralization is well underway and is being invigorated by recent legislation to strengthen local government authority and increase its resources and by systemic reforms in healthcare and child welfare, where USAID assistance is prominent. Democracy is deepening as local governments increase their competence, civil society becomes more active and sophisticated, and progress is made in addressing social and environmental issues. However, democratic institutions and processes must be firmly established and reinforced – in particular, political parties, the judiciary and NGOs. This will require continued assistance to institutional capacity-building, increased exposure to U.S. systems, financial sustainability as it contributes to independence, and some further refining of legislation. Clearly, the GOR must move urgently to implement economic reforms. Moreover, it must gain the support of all social partners and ensure that democratic practices are strengthened. This will be a formidable task but will enable the reform process to advance more solidly.

Social sector reform has additional importance as the economic decline has produced unemployment and economic dislocations that are compounded by decreases in real wages and purchasing power. The most vulnerable Romanians will continue to experience exacerbated economic and social hardships. Health sector reform is critical since the system is financially unsustainable and verges on collapse. The state's ability to support social welfare continues to diminish and state institutions and services are dilapidated and outmoded. It is here that the adaptation of American models of local level service delivery are already providing important social and economic benefits. Since 1990, services provided by international assistance and Romanian NGOs have been indispensable. However international humanitarian assistance continues to decline and local funding is severely constrained by the economic crisis. Neither the GOR nor the Romanian private sector provide significant financial resources and NGOs remain largely dependent on decreasing foreign assistance for more than 50% of their revenues. USG support to build the capacity of NGOs, local governments, child welfare and women's health service providers is furthering reforms and providing for a more sustainable sector. Efforts to promote cross-sectoral partnerships, such as those supported by USAID and the World Bank, will help pave the way for local sustainability of vital social sector programs.

USG support to Romania in areas that hold the greatest potential for success could have a critical impact at this time. USG agencies at post are gearing up to address fall out from problems in the financial sector. Also, USAID's program - emphasizing private sector development in conjunction with increased opportunities for American businesses, local capacity-building, a new effort to facilitate Romanian-American linkages through NGO coordination and volunteer promotion, and encouraging the return of skilled Romanians – are propitiously targeted to help Romania achieve success in its transition and take full advantage of its potential.

Factors Affecting Program Performance

The GOR has yet to demonstrate the political will necessary to proceed with substantial reforms. USAID's programs focus on private sector development, decentralization, local partnerships and capacity-building. Since the GOR's reform program has stalled, private sector development remained stifled under the weight of state domination of the economy. The GOR's limited financial resources for investment continue to be drained to maintain inefficient state enterprises, further exacerbating the economic crisis. Its inability to move forward in privatizing five large state banks has discouraged development of that sector and adversely impacted private enterprise development. Current tax and investment policies provide disincentives for foreign and domestic investors. With increasing pressure from multilateral financial institutions and the growing economic crisis, the GOR's hand is being forced.

Inter and intra-party conflicts deter from the ability to make political compromises and reach agreements on laws, policies and regulations. Political volatility and infighting impair the passage of reform legislation. Corruption seeps into virtually all aspects of life, and undermines public confidence in the economic and political systems. New laws have decentralized revenue generation and budgeting to the local level, however, most institutions require support to learn how to apply their powers. Younger Romanian politicians and government employees need to benefit from exposure to the U.S. not only to learn new techniques but to generate closer ties with the American people.

While the public continues to support reform, polls show increasing frustration with the uneven pace. USAID's local level programs – in local government, child welfare, women's health and civil society - have demonstrated the effectiveness and efficiency of decentralization. All the same, as the economic crisis grows and deepens its impact on daily life, public support could falter, particularly if increasing demands on the social system are not met. For example, the success of the Mission's women's health program is contingent upon larger sectoral reforms without which the health system will face continued disintegration. Importantly, the GOR, with donor assistance, must address the social adjustments inherent in implementing major reform. These include labor redeployment and harnessing labor unions as positive forces in the reform process.

II. RESULTS REVIEW BY STRATEGIC OBJECTIVE

1.3: Accelerated Development and Growth of Private Enterprises

SO Summary: This SO contributes directly to the MPP goal for economic development and strategies related to small and medium-sized enterprises, agricultural development and policy reform. The SO seeks to stimulate private sector growth through activities that support a conducive legal and regulatory framework, capital investment and improved business management skills both on and off farm. It combines two of USAID/Romania's fastest growing economic sectors: micro, small and medium enterprises (MSME) development (primarily off-farm) and agribusiness development. These two areas will drive Romania's engine of growth in the near and medium future, while being supplemented by diminishing state presence in the economy and encouraging foreign investment.

The private sector continues to grow and now contributes to almost 60% of GDP. However, significant impediments remain, including a continuing, pervasive state presence, stalled privatization of state-owned enterprises, lack of access to capital and management know-how, and a difficult legal and regulatory environment. For example, in 1998 the Parliament passed only two of seven laws that would have supported IMF requirements. Many of USAID's economic growth activities were stifled by uncertainty in the GOR's approach to accelerated implementation of special laws that would create a favorable business environment. SO 1.3 has restructured its IRs and results and expects to have greater success with its new approach.

Through combined efforts in SOs 1.3 and 1.4, USAID will seek to address some of the critical legal and regulatory impediments to expanding the private sector. Ongoing technical assistance in competition, bankruptcy, securities and judicial reform will provide key underpinnings to the market economy. The Mission will also launch a new MSME activity to tackle the labyrinth of bureaucratic, legal and regulatory obstacles that have slowed the growth of investment in the sector. In the area of management know-how, a great deal has been done both with MSMEs and agricultural businesses. USAID will work through business and agricultural associations and other support organizations to enhance the level of services and advocacy available to the private sector, and expand the number of beneficiaries. The Mission has largely relied on the activities of the Romanian-American Enterprise Fund (RAEF) to provide both equity and debt capital. Moving forward, the Mission will boost its expertise and funding in this area while tapping into the hundreds of millions of dollars made available through other donor programs.

By focusing on MSMEs and agribusiness, activities under this SO directly contribute to promoting mutually advantageous opportunities for U.S. businesses in Romania. In addition, interventions will be enhanced with minimal additional cost by improving coordination with non-USAID funded NGOs, promoting useful linkages with American organizations, using Romanian-American technical assistance, encouraging the return of Romanian students and seeking opportunities to utilize American volunteer experts.

Key Results: Three key intermediate results will contribute to achieving this objective: (1) improved policy/legal and regulatory framework supporting private enterprise development; (2) increased capital investment in private enterprises; and (3) improved management practices adopted by enterprises.

Performance and Prospects: The IRs and indicators were restructured this year to better reflect Romanian reality and to adjust for the new range of activities and expertise available to the Mission. Last year's performance was mixed due to a large number of factors. In particular, the Mission had set out unrealistic results that were not within its manageable interest (i.e. percentage of GDP from the private sector).

Foreign direct investment increased slowly in 1998 but remains far lower than comparative Central European economies. This has contributed to the already short supply of external funding needed by the approximately 700,000 small and medium private enterprises, not to mention the several thousand large and newly privatized companies.

During the past year, progress was made on a firm-by-firm basis and more than 300 enterprises have been assisted in areas, such as improving marketing, production, management, and financial management. The assisted enterprises almost doubled their sales and production capacity and increased the employment by at least 30%. Other activities focused on former state-owned enterprise restructuring and building the capacity of business support organizations and professional associations. The direct beneficiaries are the private entrepreneurs of micro, small and medium-sized enterprises (MSMEs). However, this approach did not address MSMEs on a wider scale and thus impact was limited. In the longer term, the overall investment climate must improve and associations must play a greater role in facilitating growth.

Agricultural sector assistance in 1998 was provided through trade associations and citizen coalitions and which has resulted in improved policy and regulations impacting farmers and processors. The Association of Private Millers and Bakers (ANAMOB), the Association of Private Meat Processors (ASIC), and the Association of Private Dairy Processors (APPL) were created and strengthened with USAID support. The successful advocacy work of these associations resulted in liberalized prices, removal of subsidies, the repeal of a 2% tax on agricultural workers retirement fund, reduction in import tariffs, and decreases in selected taxes. Through APPL's successful business support activities, its members conducted businesses generating more than \$50 million in transactions and joint ventures, realized cumulatively over \$1 million in increased annual sales, and more than \$60,000 annual cost savings. ASIC's members obtained on average a 10% increase in sales and 8% average turnover. ANAMOB's members increased production by 18%, sales increased by 18% and the average turnover was 12%. Through the RAEF, \$35 million in loans and venture capital was provided to 15 medium-sized private companies, \$1.5 million for 23 small loans, and \$2.319 million for micro-loans to more than 300 micro-enterprises. The repayment rate for 1998 was 99%.

The new results framework and more appropriate indicators better reflect the results possible through Mission activities. SO 1.3 will shift the bulk of its reform and advocacy interventions to business associations and support organizations. Since supporting an appropriate enabling environment involves a dynamic approach, the best interface with the legal and regulatory environment is through associations and support organizations that represent the agricultural and commercial enterprises, not the State. The Mission's new activities supporting the MSME sector will be launched in the fall of 1999 and will link sustainable business and agricultural associations with advocacy.

In order to expand financial services and available capital, the Mission will take a two-pronged approach. USAID will develop a mechanism whereby financial resources, including an expanded array of financial products can be more readily available to the agricultural and MSME sectors through banks and other financial intermediaries. A new Banking and Financial Services expert will contribute to this activity.

Possible Adjustments to Plans: USAID will expand its activities in the area of agribusiness and MSME development. The Mission is confident that these two sectors will form the foundation of the economy (currently reaching more than 42% of Romania's workforce) and are critical for promoting stability as the country continues to privatize and downsize its large state-run enterprises. Opportunities in these sub-sectors will also help counteract the dilatory effects of the financial crisis. The Mission will add the micro-enterprise sector to its previous small and medium focus. The Mission will require matching funds from Global and/or ENI Bureau to fashion a viable micro-enterprise program. A USAID/W ED Office assessment of micro-credit availability in Romania in 1998 determined that there is a critical need for resources for micro-enterprises. Most donors with significant credit programs have excluded the micro-enterprise sector from their lending activities. The Mission will coordinate closely with other donors to help access these resources for new micro-enterprise clients.

The new agribusiness and MSME activities will be further enhanced through the Mission's new coordination efforts aimed at expanding U.S.-Romanian linkages principally through NGOs, Romanian-American technical assistance, encouraging the returned of skilled Romanian students and by promoting opportunities for American volunteerism. A special new unit to focus on promoting U.S.-Romanian business development is being created within the RAEF.

Other Donor Programs: The World Bank's Labor Redeployment Program (with assistance from the U.S. Department of Labor) provides \$8.5 million for micro-lending and business support. Its Industrial Development Project provides an additional \$63 million through Romanian banks to support small and medium-sized enterprises. The EBRD offers \$58 million in credit through the Romanian Development Bank to support restructuring and privatization; \$50 million credit for both state-owned and private companies in agriculture, food, forestry and aqua-culture; and, together with the EU, co-finances investments in private or privatized companies. More than \$100 million is also available through EU-PHARE. The UNDP, German, Swiss and Canadian governments and the Soros Foundation also offer smaller credit programs. In addition, the GOR has allocated about \$23.5 million, including subsidized credit to small enterprises, credits for job creation, support for business start-ups, co-funding for export-oriented enterprises, and the establishment of a state co-guarantee fund for small and medium enterprises. The Mission is concerned about GOR and EU efforts promote subsidized credit programs.

Performance Data Tables

OBJECTIVE: SO 1.3 Development and growth of private enterprises APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.3.2 Increased capital investment in private enterprises			
INDICATOR: Increase access to finance.			
UNIT OF MEASURE: US dollars millions SOURCE: Romanian – American Enterprise Fund (RAEF) INDICATOR DESCRIPTION: Value of loans and equity investment made available for MSMEs. <hr/> COMMENTS: RAEF has special programs designed to lend to micro, small and medium enterprises (MSMEs). The new MSME initiative will include an additional financial component to improve credit access for this targeted sector.	YEAR	PLANNED SME Micro	ACTUAL SME Micro
	1997	Baseline	1 1.5
	1998	1 1	1.4 2.3
	1999	2 2.5	
	2000	3 3.0	
	2001	4 3.5	
	2002	5 4.0	

OBJECTIVE: SO 1.3 Development and growth of private enterprises APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.3.3 Strengthened business support service organizations			
INDICATOR: Number of efficient, self-operational, business support/service organizations			
UNIT OF MEASURE: Number SOURCE: USAID Contractors INDICATOR DESCRIPTION: # of assisted associations which become efficient and self-operational COMMENTS: USAID's contact with and knowledge of business support organizations is through the professional and/or trade associations created and/or assisted by its contractors. Sustainability will be evaluated by these assistance providers based upon two criteria: efficiency in quality service delivery, and ability to attract dues-paying members.	YEAR	PLANNED	ACTUAL
	1996	Baseline	2 new associations
	1997	0	3 new associations
	1998	1	1
	1999	2	
	2000	3	
	2001	4	
	2002	5	

SO 1.4 A More Competitive and Market-Responsive Financial Sector

SO Summary: This SO contributes to the MPP goal of economic development and strategies related to policy reform and the financial sector. The Mission is consolidating its SO 1.1 and SO 1.4 activities because of their mutually supporting nature, interdependent methods and common intermediate results. Also, USAID privatization assistance is currently at a level too modest to warrant separate SO status. This adjustment will also facilitate improved management. The new SO will have four intermediate results in the following areas: Banking, Financial Sector, Privatization, and Legal and Regulatory framework. The purpose of this revised SO is to improve the efficiency and soundness of financial intermediation, leading to increased availability of private capital and a greater proportion of economic assets owned by the private sector.

The private sector continues to grow and now contributes almost 60% of GDP. The GOR has made gradual but unspectacular progress in transferring state assets. The privatization process stalled for a number of political reasons related to the inability of the Government coalition to agree on the rate and process for privatization. The GOR's inability to move faster on privatization contributed to the shrinkage of the economy in 1998. USAID continued to provide advisory assistance, especially in marketing and information technology for the State Ownership Fund (SOF). During 1998, USAID's capital markets assistance was halted abruptly to re-assess its activities and to devise a more cost-effective intervention to develop capital markets. In 1999 the Mission intends to initiate a new, combined privatization and business development activity to focus on improving marketability and liquidity of privatized companies. USAID had significant impact in the enabling environment through its support in the areas of bank supervision, bankruptcy (both bank and corporate), and financial services training.

A major policy support activity under this SO utilizes Senior U.S. Treasury Advisors in the area of budget, tax, and debt management. Stabilizing and reconciling the fiscal system will have a significant impact on the overall financial sector. All three advisors contributed to the GOR's fiscal reforms and have played an important role within the overall strategy team. Their assistance will be critical as the Mission assesses its support to fiscal policy reform.

The SO1.4 team will be a key partner in the forthcoming World Bank/IMF PSAL and ASAL loans. The Mission will remain engaged in the policy dialogue with GOR and other donors and will take the lead where USAID has its strength's, namely bank supervision, fiscal and monetary public policy formulation and select privatization and capital market activities. The USG will work closely with the other donors to help averts the impending financial crisis and/or generate a flexible response if the financial institutions collapse.

Key Results: Four intermediate results will contribute to the achievement of this objective: (1) strengthened private banking sector; (2) increase in investment and liquidity through a transparent regulated market; (3) improved privatization process; and (4) improved legal and regulatory framework of the financial sector.

Performance and Prospects: USAID's activities in the area of privatization and capital market development were constricted during 1998. This was due partly to the Mission's desire to rethink its activities to align with MPP priorities. USAID has used the opportunity to re-examine its assistance and identify high-yielding interventions. As a part of this process, the Mission

evaluated the RASDAQ institutions and the Securities Exchange Commission in Romania.

After providing assistance in drafting improved privatization legislation in early FY 1998 and helping to develop the government's institutional capacity to complete mass privatization, USAID withheld most assistance until the GOR could demonstrate its political will to complete privatization. The current draft of the long-awaited, revised privatization law is now being re-examined by the World Bank in relation to its loan conditionalities. The ultimate passage of this law will obviously affect any future USAID privatization assistance.

In September 1998, USAID closed the Privatization Operations Center (POC) which had failed to meet privatization targets. USAID assistance diminished to one expatriate and seven local consultants to the SOF. The successful features generated by USAID's assistance to the POC are readily transferred to the regional offices of the SOF. USAID helped: (1) direct training to districts to speed up the privatization process at the local level; (2) improved data-base for reporting and filing for each enterprise involved in public sale; and (3) privatization through the RASDAQ electronic auction system.

USAID's senior advisors to the National Bank of Romania (NBR) made some progress in 1998 by persuading the NBR's senior management to accept the necessary framework for a risk-based management approach to supervision activities. The NBR Governor appears to want to implement the USAID-developed framework (rules, guidelines, handbooks, etc.) immediately. Nevertheless, despite rhetorical support there may still be some resistance in practice. During 1999 the Mission will push implementing this framework which could contribute significantly to strengthening the fragile financial sector. A component of this assistance will involve off-site examination training with at least two private banks. This new approach will enable our advisors to have greater success in their training activities.

USAID has led the training effort in the area of bankruptcy and, in particular, with one-on-one legal advice to over 100 syndic judges and another 100 legal support staff on bankruptcy procedures. It assisted the Ministry of Justice (MOJ) and the Bankruptcy Institute with redrafting legislation to improve processing bankruptcy cases. The Mission will continue working closely with the MOJ and the Bankruptcy Institute on bankruptcy legislation changes. It is still critical to create models for syndic judges in dealing with bankruptcy cases.

USAID, through an inter-agency agreement with the U.S. Treasury, has three advisors in the areas of tax, budget and debt management at the Ministry of Finance (MOF). The success of these advisors has been mixed for a variety of reasons, most of which relate to the very severe macroeconomic crisis confronting Romania. The Debt Advisor has had very good results with the Treasury Bill program which, in conjunction with dollar-denominated securities, has served as an effective revenue generator financing nearly 50% of the budget deficit in 1998. The Advisors have been instrumental in identifying key needs for MOF training and advising the U.S. Mission on overall fiscal and monetary policies.

Specifically targeted training and technical assistance in financial services has played a critical role within this SO to enable the Mission to achieve its goals.

Possible Adjustments to plans: The Mission will continue to assess SO 1.4 activities and to

identify those which serve the overall U.S. interest in ways that will help Romania out of its current financial crisis. A U.S Treasury macro-economic advisor has been added to assist the GoR in accelerating reforms. The Mission will pursue a more aggressive policy to encourage U.S. private sector participation in the privatization process. Possible additions to or expansion of activities, for instance, in bank supervision or bank restructuring, could provide important tools for Romania to address its current financial crisis. In addition, a special focus on areas where the U.S. business know-how can be maximized through partnerships, volunteer experts, Romanian-American technical assistance, encouraging the return of Romanian students, and other linkages will be undertaken. Finally, key elements of the program will derive from final arrangements reached under the IMF stand-by and World Bank PSAL agreements.

Other Donor Programs: USAID's financial sector assistance has helped leverage and guide other donor programs. EU-Phare has provided assistance to a share registry, and the Canadian Government has provided assistance to the Bucharest Stock Exchange – both complementing USAID's activities in the capital market where USAID is viewed as the lead donor. USAID's banking supervision program coordinates closely with EU-Phare and French banking advisors to insure consistency with EU accession requirements.

Performance Data Tables

STRATEGIC OBJECTIVE: SO 1.4 A more competitive and market-responsive private financial sector			
APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: 1.4.1. Strengthened Private Banking Sector			
INDICATOR: Number of state-owned banks that are privatized.			
UNIT OF MEASURE: Number (cumulative) SOURCE: National Bank of Romania INDICATOR DESCRIPTION: Number of state-owned banks COMMENTS: We assume that no more than 80% of all state-owned banks (currently 5 large ones) will be privatized.	YEAR	PLANNED	ACTUAL
	1997	Baseline: 0	0
	1998	1	1
	1999	2	
	2000	3	
	2001	4	

STRATEGIC OBJECTIVE: SO 1.4 A More competitive and market-responsive private financial sector			
APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.4.2. Increase investment and liquidity through a transparent regulated market			
INDICATOR: Number and value of traded securities			
UNIT OF MEASURE: Number of trades [millions]/value of trades in USD [millions] SOURCE: RASDAQ, BSE, MOF INDICATOR DESCRIPTION: Total number and value of transactions during the year on the BSE, RASDAQ and total sale of government treasury bills. COMMENT: Given current economic conditions, we are not revising targets upward.	YEAR	PLANNED	ACTUAL
	1995	Baseline/Baseline	0/0
	1996	3 / 2	7 / 5
	1997	400 / 300	800/6500
	1998	500 / 500	900 / 1,477
	1999	600 / 1,000	

STRATEGIC OBJECTIVE: SO 1.4. A more competitive and market-responsive private financial sector			
APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR1.4.3. Improve Privatization process			
INDICATOR: Percentage of total social capital remaining in the state-owned hands			
UNIT OF MEASURE: Percentage SOURCE: SOF INDICATOR DESCRIPTION: Percentage of total social capital remaining in the state-owned hands. COMMENTS: Measure excludes banks, strategic assets and some municipal assets. The percentage for 2001 will remain permanently state-owned. * Targets for the number of companies were measured from 1996-8 however, as the total universe of companies continually increases through restructuring and new enterprise development, the indicator was revised to be more meaningful.	YEAR	PLANNED	ACTUAL
	1992	Baseline	100%
	1995		95%
	1996	*	90%
	1997	*	88%
	1998	*	80%
	1999	70%	
	2000	60%	
	2001	40%	
	2002	20%	

SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector

SO Summary: This SO contributes direct to the MPP goal of economic development and strategies related to policy reform and energy. The energy sector has a significant impact on the overall health of the Romanian economy. For this reason, USAID has applied solid resource levels to help spur reforms that will revitalize this sector. Its resources have leveraged and been coordinated with hundreds of millions of dollars in other donor funds. USAID supported the GOR's efforts to restructure the energy sector, by dealing with critical issues in oil/gas liberalization (recently dropped), power subsector competition and energy efficiency. Reaching competition, private investment, and efficiency benchmarks will indicate that the sector is moving in the right direction. USAID's energy program contributes directly to the Global Climate Change initiative.

In general, the last two years have seen a relatively slow and incomplete energy sector reform process, adversely impacting overall development. In July 1998, the GOR approved the USAID-proposed restructuring plan for the electric power sector. Restructuring the sector, including separation of distribution, generation and transmission, has begun and efforts are underway to commercialize and ultimately privatize much of the sector. Despite these solid gains, significant gaps still exist in restructuring both the power and petroleum subsectors and in moving forward on privatization. Concerned with potential social and economic dislocations, the GOR has vacillated in executing restructuring strategies that would lead to opening the market and to privatization.

Assistance to the petroleum subsector was halted. Future assistance in the power subsector will identify economically-viable groupings of distribution sector assets and USAID's pilot commercialization work will expand. The recently created regulatory authority will require thorough training, technical and material assistance to become a sustainable force.

Key results: Three intermediate results contributed in the past to the achievement of this objective: (1) oil and gas market liberalized (now not active); (2) competitive electric power system established; and (3) improved energy efficiency.

Performance and Prospects: SO performance overall has fallen short of expectations. Specifically, achievements under IR 1 fell short. The reluctance of the GOR to implement concrete measures to restructure and privatize the subsector led USAID to suspend its assistance. This was decided at the R4 review in May 1998 and reconfirmed at the November 1998 Program Review. In the future, the Mission may reconsider its decision, depending upon the GOR's demonstrated commitment to proceed with petroleum subsector restructuring.

Achievements under IR 2 have met expectations. Specifically, these include the GOR adopting a restructuring plan for the national utility company in July 1998 and establishing the regulatory authority in October 1998. Also, in December 1998 the GOR adopted the Electricity and Heat Law (Energy Law). USAID's help in policy and technical areas was critical to these successes.

In order to facilitate restructuring, USAID's pilot demonstration project in Brasov serves as a model for restructuring and commercializing other local distribution companies. With the endorsement of CONEL, the state electric power company, results and recommendations

(including potential organizational structures and strategic options for consolidating distribution branches) have been presented to all distribution company managers to promote replication.

Along with pragmatic examples, the actual road map for subsector restructuring and privatization will require immediate decisions in two key areas: defining CONEL's legal and commercial relations with and between the restructured national electric company and its three subsidiaries; and the newly-established regulatory authority's staffing and operations.

Two IRs, 2.1 Private electricity generated and 2.2 Transformation of the NRAE into a sustainable entity focus on the regulatory body. Establishing a sound regulatory entity will require the appointment of qualified managers and technicians. To secure independence, USAID persuaded EU-Phare to finance start-up costs and salaries. USAID supplements this with technical assistance to design the entity's operational and procedural framework, so that it becomes self-sustainable.

USAID will modestly target opportunities within the following areas: support to introduce competition and open the sector to private investment, through establishing an electricity market, developing licensing conditions for CONEL, and strengthening financial and management capabilities. We will also assist with technical and commercial regulations (secondary legislation) drafting, training staff responsible for implementing these regulations, and technical assistance during implementation.

IR 3 has fallen short of expectations. It has succeeded in developing a model ESCO (ENERGY SERV) corporate structure and delivered on-the-job training in project development, management, and implementation for ENERGY SERV staff. The ESCOs provide the financial structure to assume risk thus enabling energy consultants to provide important assessments and services for industrial customers. They also help USAID monitor CO2 emission reduction and GCC contribution. However, fostering projects and finding investment have met with limited success. In 1999, USAID will complete additional training in project financing and performance contracting to energy consulting companies and thereafter the activity will conclude, due to lack of significant progress.

Possible Adjustments to Plans: Without fundamental restructuring and privatization of the energy sector, its financial and structural problems will continue to deter other reforms and impede economic development. Therefore, USAID support for power subsector restructuring, for which we are beginning to see results, will continue beyond FY99, with a gradual phasing down in FY 2001. Power subsector assistance will target: the introduction of competition and ways to open the sector to private investment; and support to the newly-created regulatory authority. Continued and possibly expanded USAID support to the regulatory entity will be important because unless the legal and commercial relations are clearly and competitively established and a workable regulatory framework is adopted and implemented, it will be impossible to attract the strategic private investment needed to invigorate the sector.

Other Donor Programs: USAID assistance leveraged approximately \$600 million in World Bank, EBRD, and EIB loans to restructure the petroleum and power sectors and to promote modernization and investment in the Romanian energy sector. EU-PHARE has become a recent contributor in support of USAID-proposed energy sector reforms.

With funding from World Bank, EBRD, and EIB (originally to RENEL), CONEL is rehabilitating several power plants and electrical substations; technical assistance by USAID has provided essential support. A new EBRD loan will help set up the National Power Grid and unbundle functions that are now vertically integrated under CONEL. Because CONEL's successful operation requires a transparent regulatory environment, USAID will leverage this EBRD loan through its support to the regulatory body in establishing the electricity market rules and implementing technical and commercial regulations.

Performance Data Tables

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.5.2.1 Private investment and share of electricity generated increased			
INDICATOR: Market share of independent power			
UNIT OF MEASURE: Power share in total annual MWh production SOURCE: RENEL: RENEL's Development Strategy to Year 2000 INDICATOR DESCRIPTION: Independent power generated COMMENTS: Independent power production share shows the electricity market decentralization (either through CONEL's activities spinning-off or through new IPPs)	YEAR	PLANNED	ACTUAL
	1995/B		0%
	1996	2%	0%
	1997	3%	3%
	1998	10%	14%
	1999	20%	
	2000	30%	
	2001	50%	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.5.2.2 Purchasing, licensing and access regulated by independent authority Next year, this IR and indicator will be revised to better reflect USAID assistance efforts. The new IR will be: "Transformation of the National Regulatory Agency for Energy (NRAE) into a sustainable, regulatory body"			
INDICATOR: No. of licenses issued for power generation New: A- Achievement of the NRAE's financial sustainability B- Achievement of the NRAE's independence in decision-making C- Achievement of capability to issue specific regulations			
UNIT OF MEASURE: # generation licenses, # distribution licenses New: A- % B - Yes/No C- Yes/No SOURCE: Independent power regulator INDICATOR DESCRIPTION: COMMENTS: *The NRAE was established October 27, 1998 (Emergency Ordinance 29) and has not yet issued any licenses. Therefore, we can not report on this IR, as it was previously defined	YEAR	PLANNED	ACTUAL
	1995/B		No
	1996		No
	1997		No
	1998	*	No
	1999	A-50% B-Yes C-No	
	2000	A-80% B-Yes C-Yes	
	2001	A-100% B-Yes C-Yes	

STRATEGIC OBJECTIVE: SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.5.3 Improved energy efficiency			
INDICATOR: Dollars saved as a result of energy efficiency projects			
UNIT OF MEASURE:USD (millions) SOURCE: Energy Service Companies Assisted by USAID INDICATOR DESCRIPTION: As measured by net savings from energy efficiency projects implemented by USAID-supported companies.	YEAR	PLANNED	ACTUAL
	1998/B	0	0
	1999	1 Million	

SO 1.6 Increased Environmental Management Capacity to Promote Sustainable Economic Growth

SO Summary: This SO directly supports the MPP Goal for Environment, to enable Romanian protection of its natural resources, with a specific focus on reduction of greenhouse gases and the preservation of the bio-resources of the Danube River Basin. USAID's activities have helped build critically needed institutional (both public and private sector) capacity and has demonstrated environmental management and pollution abatement practices and technologies, that will help meet these objectives. USAID has assisted Romania in developing policies, organizations, practices, and human resources. Activities promote drafting of legislative frameworks and regulations to apply environmental standards; reforming of institutions to better implement compliance actions; creating economic instruments that encourage sound and sustainable environmental practices; and training professionals in the skills required to implement an environment program.

Reductions of pollutant loadings to the air, water and land will be severely hampered unless the local environmental protection agencies (EPAs) responsible for implementing environmental management programs are capable of modeling, monitoring, and regulating pollution sources. A USAID-sponsored capacity assessment of the EPAs led to a revised strategy to assist these organizations in better implementing national policies. Work has begun with seven EPAs to improve their capabilities for environmental inspection and monitoring through demonstrations of new techniques, procedures, and systems to better characterize and regulate pollutant emissions. Replicating the successful demonstrations to the entire 42 county EPAs is anticipated using procedures and manuals, recognized officially by the Ministry of Environment.

Reduction of air emission and other pollutant discharges require the application of improved environmental management practices and technologies. USAID-financed cleaner-technology projects have demonstrated energy conservation and pollution reduction methods that can bring significant economic benefits to targeted industries and communities. USAID has also stimulated development of private sector environmental service providers, which help recipients conform to environmental standards and international management practices.

Key results: Three intermediate results contribute to achieving this objective and the overall MPP strategies of reducing greenhouse gases and protecting the bio-resources of the Danube River Basin: (IR1) environmental resource management improved; (IR2) environmental legal authority enhanced; and (IR3) environmental sector financial sustainability increased.

Performance and Prospects: Results for IR1 are substantially on target. USAID has helped strengthen the managerial capacity of enterprises and government entities to better manage environmental and human resources. The Pollution Prevention Center (PPC), a self-sustaining resource and service center created under a USAID agreement with the World Environment Center (WEC), will continue to promote cost effective pollution reduction technologies.

An example of a successful pilot activity includes the technical assistance and \$30,000 investment project at Romania's largest steel producer that now saves \$38,000 annually at its coke plant while significantly reducing environmentally harmful air emissions, and lowering maintenance requirements saving even more. Other enterprises are interested in environment-friendly, cost-

saving systems as a result. USAID disseminated key information regarding the issues and the opportunities to address the linkage between pollution to public health through two EAPS workshops. Impressed by the results, additional enterprises are adopting similar practices.

USAID's project supporting the Danube River Basin Global Environmental Facility (GEF) helps to better monitor and manage environmental information that is critical to the protection of the bio-resources in the Basin and the public health. The program will also directly improve the environmental quality of the River Basin by demonstrating improved treatment and waste management practices. Unabated, pollutants discharged to the river eventually reach the Danube Delta and add significant stress on the bio-diversity of this important natural habitat.

USAID continues to take the lead in building the technical capacity required to implement a sound environmental program through the Environmental Training Project. This effort includes work to improve the capability of the environmental service industry, local governmental service industry, local government inspectors, environmental NGOs and other sectors. The program has trained 1,800 professionals, 600 this year, in various aspects of environmental management. The USAID-funded University of Cluj Environmental Management graduate program has had a profound impact on environmental practices in Romania. Many new managers trained at Cluj are now adapting environmental programs and practices to work at their enterprises. After FY 1999, the program in Cluj will be financed completely by tuition and fees.

USAID advisors helped to formulate market-based environmental policies and legal authorities to protect environmental resources (IR2). USAID provided critical support in developing key environmental legislation, including the Environmental Law, the Waters Law, and a number of complementary procedures for permitting; audits; and contaminated media assessments. (All regulations are harmonized with EU Directives.) USAID helped develop methodologies used by the State Ownership Fund and environmental authorities to address issues that effect enterprise market value and marketability in the privatization process.

Consistent with our goals under IR3, USAID assisted the GOR in developing a self-financing regime to provide funding for essential services and activities conducted by local environmental authorities. A GOR decision on self-financing is expected to be approved in spring 1999. Applying this new regime requires that local authorities be competent in contemporary management and accounting practices. In addition, USAID worked with Apele Romane, the national water utility, to develop a methodology for full-cost pricing of Romania's water sector services in order to facilitate self-financing.

USAID supports the Southeastern European Cooperation Initiative (SECI) and we expect to cooperate on water and wastewater service delivery activities. The Danube Recovery Programme (DRP) project group includes the following SECI participating countries: Bulgaria, Croatia, Hungary, Former Yugoslav Republic of Macedonia, Moldova, Romania, and Slovenia. A DRP working meeting is anticipated in the next few months in order to review progress on issues identified at the initial December 1997 DRP project group meeting.

Possible Adjustments to Plans: The 1999 U.S. Mission's MPP introduced new conservation and bio-diversity subsectors to our environmental planning. The MPP's environmental goals include: a) reducing greenhouse gases to promote sustainable development and minimize growth

in greenhouse emissions; b) ensuring that the growing lumber industry does not strip Romania's old-growth forests; and c) protecting the Danube River and Delta in ways that will promote public health, scientific research, tourism, and the seafood industry. USAID is formulating ways to fully integrate the R4 into the evolving MPP strategies. Indicators will be adjusted to reflect the revised strategies. Over the next few months, the U.S. Mission will assess the feasibility of adding activities to support forestry and Danube Delta objectives. Existing activities will more closely support the reduction of greenhouse gases objective. USAID will use existing resources to develop an inventory of opportunities for reducing greenhouses in Romania, and to identify low-cost reduction measures and discuss emission trading concepts.

Other Donor Programs: The World Bank has planned a Pollution Abatement Project loan package with the MoWFEP to help address industrial pollution problems significantly impacting human health and productivity. Although the loan agreement will not be signed until May 1999, USAID agreed to sponsor specific measures regarding the institutional development of the MoWFEP, environmental management at local level, development of an environmental service industry, and public participation that supports the World Bank objective. Each of these measures is consistent with the U.S. Mission's environmental strategy for Romania.

EU contributions to the World Bank's loan package are conditioned upon self-financing and creation of a GOR managed Economic Policy Unit. (Environmental approximation is a principal weakness to Romania's acceptance for EU accession.) USAID assistance will help strengthen this Unit and the move toward self-financing. USAID will coordinate closely with EU Phare.

Performance Data Tables

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth			
APPROVED:		COUNTRY/ORGANIZATION: USAID/Romania	
RESULT NAME: IR1.6.1 Management Operations Strengthened			
INDICATOR: Dollars saved as a result of pollution prevention projects			
UNIT OF MEASURE: \$ (thousand) SOURCE: Pollution Prevention Center/EAPS/Eco-Links INDICATOR DESCRIPTION: As measured by net savings resulted from implementation of pollution prevention projects implemented by companies receiving USAID-sponsored technical assistance. COMMENTS: Current measure based on results of work at Sidex and Rombat.	YEAR	PLANNED	ACTUAL
	1996/B	NA	NA
	1997	86	86
	1998	200	422
	1999	480	
	2000	500	
	2001	540	

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.6.2: Environmental legislation and policies developed			
INDICATOR: Improved regulations issued			
UNIT OF MEASURE: Yes/No SOURCE: MoWFEP INDICATOR DESCRIPTION: As measured by issuance of a compliance schedule scope and content COMMENTS: The indicator is being revised to include a target list of applicable regulations that will be specifically tracked. That list is similar to, but not identical to, the major regulatory elements considered in the EU approximation guidance.	YEAR	PLANNED	ACTUAL
	1996	Baseline	No
	1997	No	No
	1998	Yes	No
	1999	Number TBD	
	2000	Number TBD	
	2001	Number TBD	

OBJECTIVE: SO 1.6 Increased environmental management capacity to promote sustainable economic growth APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 1.6.3 Environmental sector financial sustainability increased			
INDICATOR: Institutional Cost Retention			
UNIT OF MEASURE: Cumulative percentage SOURCE: MoWFEP INDICATOR DESCRIPTION: As measured by the portion of beneficiary-specific environmental services paid for by cost recovery COMMENTS: The fundamental concept of this target (i.e., sustainable funding) will be retained, but the units of measure and the means of measuring will be adjusted. Specific environmental services will be targeted for fee for service and tracked as to the degree of cost recovery provided. *revised from 10, **revised from 20	YEAR	PLANNED	ACTUAL
	1996	Baseline	0
	1997	0	0
	1998	10	0
	1999	30*	
	2000	40**	
	2001	40	

SO 2.1 Increased, Better-informed Citizens' Participation in Political and Economic Decision-making

Summary: This SO contributes directly to the MPP goal of democracy and strategies related to democratic mentality, democratic institutions, fighting corruption and ethnic relations. USAID programs have focussed on increasing citizen participation in political and economic decision-making and building the capabilities of those governing in the Parliament, Executive and Judicial branches as elements essential to consolidating Romanian democracy. USAID's assistance has helped foster interaction between citizens and government and improved NGOs' ability to influence decision-making through policy advocacy and partnerships with the executive, parliament and local governments. USAID support on the governing side included developing Parliament's capacity to promulgate policy, oversee the Executive, and enhance relations with public constituencies, and improving the Executive branch's communication and information management thus expanding and improving interaction with civil society. The U.S. Mission's democracy program will increasingly focus on major initiatives to fight corruption (incorporating rule of law elements), strengthening and consolidating political parties, having labor contribute to a smoother transition, and establishing better linkages among ethnic groups.

Key Results: Three IRs contribute to this objective: (1) increased effectiveness and accountability of the Romanian leadership; (2) visible decrease in corrupt practices in the public sector; and (3) a strengthened democratic culture through stronger political party structures. The Mission will formulate new indicators to measure performance in these areas over the next year. We will likely use the Freedom House Index relating to a stronger democratic environment as one indicator as well, since the program still broadly covers democratic practices.

Performance and Prospects: Targets for all the former IRs were met or exceeded. While Romania has made headway in implementing needed political and economic reforms since the 1996 elections, much remains to be done for Romania to consolidate its democracy. Civil society continues to develop and the key democratic institutions are functioning, nonetheless, these institutions remain institutionally weak largely because they have not been fully incorporated into the policy-making process.

USAID activities have built capacities in information, management, budget, political processes and public relations, thus increasing the effectiveness and accountability of Romanian leadership and facilitating citizen access to decision-making. USAID helped the Parliament improve its performance in analyzing and formulating public policy and in creating the forum where national issues are debated and resolved. The Research and Legislative Departments at the two Parliamentary chambers have improved their use of information and research through training in comparative techniques of policy analysis. Assistance to enhance Parliament's ability to oversee the budget process has resulted in more complete and technically relevant committee reviews and deliberations.

USAID assistance to the executive branch has improved its information management capacities and helped it become more open and responsive to the public. The Office of the Prime Minister and the Ministry of Finance have instituted information management systems and document tracking systems which have proven invaluable in the daily operation of these offices. These improvements have enhanced the ability to respond to citizens' concerns. Other ministries are

now seeking to adopt similar systems.

Assistance to the judiciary has proved equally successful. USAID support spurred the adoption of key reforms to the legal and procedural codes which helped streamline judicial proceedings. As a result, courts have become more efficient and responsive to citizens. Responding to a request of the Ministry of Justice (MOJ), USAID set up a "model court" pilot activity based upon best practices that can be replicated by other tribunals. EU-Phare plans to adopt the same model for its assistance.

The USAID-supported National Institute of Magistrates (NIM) graduated its first class of 75 probationary judges in July 1998 and enrolled its second class of 102 candidates in October 1998. The clear benefits of the school's program prompted the MOJ to make attendance at the NIM a requirement for new sitting judges. The MOJ has increased the budget of the NIM and the former Ministry building will house the institute's expansion.

USAID is strengthening the institutional capacity of NGOs and professional organizations through its Democracy Network Program (DNP). Last year, 214 NGOs received targeted assistance, which enhanced their institutional capacity, improved their financial viability and enhanced service delivery. As a result, NGOs increasingly play a dynamic role in advocating and formulating policy issues at the national level - such as improved energy efficiency, environmental protection, women's rights, minorities' rights and business interests. NGOs are also addressing local issues -such as anti-pollution campaigns, local taxes and other specific community needs. With DNP assistance, NGOs have initiated two pilot activities to address local pollution issues. The Baia Mare project will improve air quality and the one in Oradea will tackle problems in solid waste disposal. These pilot activities are characterized by a high level of commitment and participation from community, businesses and local governments and are intended to inspire similar efforts in other communities. Both activities complement SO 1.6 and other donor-funded programs.

The DNP's community development activities stimulated successful partnerships between NGOs, communities and local governments to confront problems that result from decentralization and economic restructuring. Community organizing has been completed in three counties (judets) where 13 pilot project proposals were developed. This activity also leverages a \$20 million World Bank Social Development Fund (SDF) loan and has helped establish the Romanian Social Development Fund (RSDF). As a result, the World Bank has requested that USAID expand its community development assistance to the other counties and help the RSDF develop criteria for project evaluation and administration. In addition, community facilitators, trained through the DNP program, serve as trainers for similar activities organized by the World Bank. In January 1999, the Romanian Association for Community Development was established; its president is another DNP trainee.

USAID's media assistance strengthened the capacity of targeted media outlets to increase advertising revenues and to streamline their operations. As a result, financial viability has improved - particularly at small newspapers outside of Bucharest. The Romanian Audit Bureau of Circulation (ABC), established last year with USAID assistance, released its first eight audits (verified and unbiased circulation figures) in February 1999. The number of dues-paying ABC members has grown to 43. Ongoing training for journalists is improving economic reporting and analysis.

Possible Adjustments to plans: The GOR will need continued assistance in organizing the reform process to better respond to and open access to the public. USAID will expand its assistance to enhance leadership and communication skills of political party activists, government officials and parliamentarians, and will add a program of assistance to the labor sector to enhance its contribution to economic and political transition. Additionally, the Mission is assessing possible support requirements related to the 2000 parliamentary and presidential elections, particularly related to strengthening political parties.

In response to requests from both the World Bank and the GOR, USAID's planned civil society assistance may link with the RSDF. It will emphasize the development of partnerships between civil society and local government addressing local needs. As part of this effort, USAID plans to include membership-based, service and activity-oriented associations that have strong prospects for self-sustainability.

Assistance to the judiciary, will expand to support the efforts of the MOJ to develop a sustainable anti-corruption program. Importantly, USAID will initiate activities with the public and private sectors, an international NGO and regional organizations as part of the U.S. Mission's major fighting corruption program.

Other Donor Programs: Other donors have reduced or discontinued their support to the NGO sector for a variety of reasons. This means that USAID is now the lead donor in the sector. EU-Phare will initiate a \$ 7.5 million judiciary support program building upon USAID's successes with the Magistrate's Institute and the pilot courts. The Soros Foundation is also providing limited assistance to the judiciary. However, USAID will maintain its leadership role in coordinating donor activities with the MOJ.

Performance Data Tables

As noted, the Mission will develop new indicators related to the Freedom House democracy index, fighting corruption and political party strengthening over the coming months.

OBJECTIVE: SO 2.1 Increased, Better-informed Citizens' Participation in Political and Economic Decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania				
RESULT NAME: SO 2.1 "World Freedom Rating: Political Rights & Civil Liberties"				
INDICATOR: Freedom House – Global Rating of Political Rights, Civil Liberties & Freedom				
UNIT OF MEASURE: Scale of 1 – 7, with 1 the most free. SOURCE: Freedom House Annual Survey INDICATOR DESCRIPTION: COMMENTS: Romanian Democracy improved to a "Free" States rating after the 1996 elections. Political rights improved from 4 to 2 at that time also. Civil liberties improved recently from 3 to 2.	YEAR	POLITICAL RIGHTS	CIVIL LIBERTIES	STATUS
	88-89	7	7	Not Free
	89-90	7	7	Not Free
	90-91	6	5	Not Free
	91-92	5	5	Partially Free
	92-93	4	4	Partially Free
	93-94	4	4	Partially Free
	94-95	4	3	Partially Free
	95-96	4	3	Free
	96-97	2	3	Free
	97-98	2	2	Free

STRATEGIC OBJECTIVE 2.1: Increased, better-informed citizens' participation in political and economic decision-making APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: SO 2.1 Increased, better-informed citizens' participation in political and economic decision-making			
INDICATOR: Number of projects designed and developed in cooperation by citizens, civil society and decision-makers, at the local level			
UNIT OF MEASURE: projects SOURCE: Democracy Network Program (DNP) INDICATOR DESCRIPTION: Number of priority community concerns formally targeted through collaboration between public authorities, civil society and citizens COMMENTS: Target exceeded. Thirteen community-based projects were developed in three targeted counties (Alba - 5, Botosani - 4, and Tulcea - 4) and submitted to the Romanian Social Development Fund . Three community projects were developed in Maramures (2) and Bihor (1) and were funded under the DNP. Proposed revised target for 1999 was raised since the original (14) was surpassed in 1998.	YEAR	PLANNED	ACTUAL
	May 1997		0 (B)
	1997	0	0
	1998	10	16
	1999	25	
	2000	35	
	2001	50	
	2002		

SO 2.3 More Effective, Responsive and Accountable Local Government

SO Summary: This SO contributes directly to the MPP goal of democracy and the strategy related to local government and decentralization. Once primarily geared to good management practices, SO 2.3 has evolved into a comprehensive effort to bring about the devolution of power, responsibility and fiscal authority to local government in Romania. Results have consistently exceeded expectations. From a position of almost complete powerlessness in 1995, local governments will be ready to take advantage of a system of municipal credit supported by revenues controlled at the local level through current “best practice management systems” that is nearly in place. Furthermore, local governments have improved their connections to their constituencies through the rapid spread of citizen information centers and citizen participation practices. They are preparing to accept additional responsibilities and authority as the central government acts to cede it in areas such as health, human services, education and economic development. While the public registers continuing distrust of and dissatisfaction with government on the national level, it increasingly distinguishes between central government and local government and expresses its confidence in the ability of the latter to provide services, even in difficult times.

Key Results: Three intermediate results contribute to this objective: (1) improved capacity of local governments to manage resources; (2) increased local government control over functions and revenues; and (3) increased revenues available for local government.

Performance and Prospects: In every indicator, performance has exceeded expectations, even

though the Mission has raised target levels.

The GOR is committed to establishing a municipal credit system and therefore to the fiscal decentralization necessary to achieve that goal. The government is proceeding with plans to set up a municipal development bank that will likely provide the first opportunities for issuance of debt within the next two years.

Despite a succession of upheavals in the ruling coalition, including changes of Ministers of Finance, the GOR with USAID assistance has supported legislation devolving real financial management authority to cities and counties. Although it has taken more than two years, the laws on Local taxes and Fees, on Local Public Finance and on Patrimony have been adopted by the Parliament, executed by the President, and are now being implemented. The above legislation was drafted with USAID help, lobbied in the Parliament by city and county association with USAID encouragement, and now will rely on USAID assistance to implement and disseminate information at the local level.

Fifteen cities and counties will be among the first participants in debt financing of public improvements, with three of these selected to receive more intensive technical assistance. Cities and counties can meet the challenge of managing debt along with their operating responsibilities as a result of several years of effective reform. The increased utilization of modern budgeting techniques and improvements in financial management has grown geometrically from two cities preparing program performance budgets in 1994 to 18 in 1998. The total financial management, budget and computer operating systems has increased from two in 1995 to 23 in 1998, eight more than the target of 15. As a result of its demonstrated effectiveness at the local level, the Ministry of Finance has concluded that program performance budgeting is an appropriate methodology and now mandates its use thus stimulating even greater interest in and attendance at USAID's budget training and other financial management seminars.

This rapid improvement in technical competence has reinforced the status of democratic governance at the local level. In 1996, a county council opened one citizen information center with USAID assistance. At the end of 1998, 25 citizen information centers operate in cities and counties and several more are in the works; most of which received some USAID support. However, this activity has become self-sustaining as cities and counties now develop their own facilities with local resources and advice from existing centers. USAID has now ceased its active assistance in this area because it is no longer needed.

Possible Adjustments to Plans: The process of creating a system of municipal credit continues regardless of the turmoil in the Romanian banking system, growing pains in capital markets and a stagnant economy. Encouraged by multinational financial institutions, the GOR is creating a central government-capitalized municipal development bank. This could provide the first opportunities for issuance of debt within the next one to two years. While positive, this effort could monopolize municipal credit. Future USAID efforts in the municipal credit area will cooperate in creating sources of municipal finance, but will emphasize a competitive system that permits financing of local government debt by commercial banks and issuance of bonds as well.

Fiscal decentralization has properly placed the responsibility for levying, collecting and administering local taxes with local governments. Undertaking and exercising that responsibility

will require substantial changes at the local level, and cooperation techniques with the Ministry of Finance that have no precedent until now. Accordingly, public administration program resources must shift to assure that local capabilities grow to justify the faith in them shown by the government's willingness to delegate new responsibilities.

The public holds local government responsible for the local economy regardless of the lack of power to affect it. The recent success in fiscal decentralization provides hope that some power to impact local economic development can also be delegated to local authorities. An economic development focus of the local government assistance program, dropped in 1997, will therefore be re-established and coordinated with efforts to assist local government associations to include economic development in their legislative programs, and prepare local governments for undertaking those responsibilities as well. To expand the impact of USAID's financial resources, the Mission will encourage the participation of American volunteers and Romanian-American technical advisors, in segments of our local government and decentralization program.

Other Donor Programs: The EU-Phare program, the World Bank, the European Bank for Reconstruction and Development, the British Know-How Fund, and a variety of bilateral assistance programs of individual European states provide assistance to the GOR and, directly or indirectly, to local government. The EBRD and the World Bank are active in creating the municipal credit system. USAID will remain a legislative leader and the primary creditworthiness assistance agency. The Know-How Fund is the primary source of material support for the Romanian Federation of Municipalities, but that support is declining as the Federation becomes self-sufficient and will end in two years. USAID provides technical assistance to the Federation in order to increase the effectiveness of its leadership.

Performance Data Tables

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR1 Advanced capacity of local government to manage resources			
INDICATOR: Creation, development and use of program performance budgets			
UNIT OF MEASURE: Program performance budgets SOURCE: Chemonics Intl INDICATOR DESCRIPTION: A budget process involving citizen participation controlled by elected officials through appointed professionals producing a usable management document accurately reflecting the policy intent of the local authority COMMENTS: Target exceeded. Thirteen community-based projects were developed in three targeted counties (Alba – 5, Botosani –4, and Tulcea – 4) and submitted to the Romanian Social Development Fund. Three community projects were developed in Maramures (2) and Bihor (1) and were funded under the DNP. *Since it is customary for municipal budgets to be completed in advance of the fiscal year, the 1999 actual is available in early 1999. **Target for 2000 revised upward from 24.	YEAR	PLANNED	ACTUAL
	May 1997	Baseline	0(B)
	1997	4	7
	1998	8	8
	1999	16	18*
	2000	25**	
	2001	30	

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: 2.3.1.2.1 Mechanisms to exchange ideas between citizens and government established			
INDICATOR: Number of citizen information centers organized, constructed and operating			
UNIT OF MEASURE: CICs SOURCE: Chemonics Intl INDICATOR DESCRIPTION: Citizen information centers provide access to local government information and services COMMENTS: USAID assistance to CICs has ended; CICs are independently replicating and sustainable.	YEAR	PLANNED	ACTUAL
	1995	Baseline	0 (B)
	1996	0	3
	1997	5	6
	1998	7	25

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED: COUNTRY/ORGANIZATION: USAID/ROMANIA OBJECTIVE: SO 2.3 More effective, responsive and accountable local government			
APPROVED: COUNTRY/ORGANIZATION: USAID/ROMANIA			
RESULT NAME: IR 2 Increased local government control over functions and revenues			
INDICATOR: Proportion of the budgets of local government units over which they have unrestricted authority			
UNIT OF MEASURE: Percentage of locally controlled expenditure in the budget SOURCE: Chemonics Intl, Urban Institute, local authorities INDICATOR DESCRIPTION: Portion of budget expenditure over which the local authority has control COMMENTS: Past representations of locally controlled revenue indicated greater control than in fact existent. The current table shows slower but more reliable progress. Recently adopted legislation will cause this percentage to increase dramatically in 1999 and future years.	YEAR	PLANNED	ACTUAL
	1995	Baseline	20 %
	1996	25	26.4 %
	1997	30	34.2 %
	1998	35	35 %
	1999	40	
	2000	45	
	2001	50	

OBJECTIVE: SO 2.3 More effective, responsive and accountable local government APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 3.1 Municipal financial resources for capital needs increased			
INDICATOR: Number of municipalities borrowing for capital investment			
UNIT OF MEASURE: Municipalities or county councils SOURCE: Urban Institute INDICATOR DESCRIPTION: Municipalities borrowing from all sources. COMMENTS: Municipalities have begun using their new authority to borrow against anticipated revenues to smooth cash flow for both operating and capital purposes. Several cities are negotiating with private sources for capital investment in utility systems in conjunction with service contracts.	YEAR	PLANNED	ACTUAL
	1996	Baseline	5 (B)
	1997	+5	+10
	1998	+5	5
	1999	+5	
	2000	+5	
	2001	+5	

S.O. 3.2 Improved Welfare of Women and Children

S.O. Summary: This SO contributes directly to the MPP goal of humanitarian assistance and relates to the child welfare and women's health strategies. This strategic objective continues to tackle the long-term problems created by Ceausescu's pronatalist policy, namely a high rate of maternal mortality, abortion, unintended pregnancies, and abandoned children. USAID is helping Romania to establish a community-based, family-focused system for child welfare that will reduce reliance on institutionalization and improve women's health services based upon demand, quality measures, and expanding access. Activities initially target three counties (judets) - Cluj, Iasi, and Constanta - to create models for replication. Specific activities aim to reduce the number of institutionalized children by 30% in the three target counties by 2002 and to increase the use of women's health services including modern contraceptives to 30% in 2000. Beneficiaries are the 120,000 children in institutions, children at risk of abandonment, and the almost six million women of reproductive age and their partners.

Key Results: One high-level intermediate result each for child welfare and for women's health is necessary to achieve this objective: (1) decreased dependency on institutions for children; and (2) increased use of women's health services. The following lower-level intermediate results will contribute to the achievement of the above IRs. For child welfare: (1) improved child welfare policies and administrative procedures implemented; (2) increased utilization of community-based child welfare services; and (3) increased parental and citizen involvement with children. For women's health: (1) improved quality of women's reproductive health services; (2) improved access to women's health services; and (3) increased demand for women's health services.

Performance and Prospects: Performance in 1998 met expectations.

As a result of USAID-funded **child welfare** assistance, significant policy changes have occurred which have set the stage for a major transformation in the system. Specific policy impacts include: (1) adopting community-based, family-focused child welfare services as a model to replace institutional care; (2) decentralizing child welfare from national to local county control; (3) establishing multi-sectoral child welfare commissions to review each case of children in need of protection; (4) establishing judet-level Departments of Child Protection; (5) devolving child protection institutions from the Ministries of Health and Education to the local Councils, including buildings, personnel, and budget; and (6) clarifying and accelerating administrative procedures for declaring a child abandoned and for referring a child to protective care.

Community-based, family-focused services have evolved in the three target counties. New services include foster care, pregnancy counseling and other preventative services, transition care services, family re-unification services, maternal shelters, and national adoption. Additional local services will soon include day care, intensive family counseling, economic support to families in crisis, and family support groups. The number of children and families being served in community-based programs has almost doubled from January 1997 to January 1998 in the target areas. Local governments that are responsible for the budgets of child welfare institutions now realize the cost-effectiveness of community-based services. As a result, they are increasingly reliant upon community-based services as shown by the increased number of children and families being served there. The number of parent support groups in Iasi and Constanta has increased from twelve in 1997 to twenty-seven in 1998. Constanta is increasingly utilizing foster care to prevent

institutionalization as reflected in the increase of foster families from 13 in 1997 to 35 in 1998. USAID support has helped to re-establish the social work profession and rebuild the critical human capital for community-based services. Training modules have been developed and staff training in the counties has begun.

USAID's **women's health** activities have promoted the use of family planning, expansion of primary health care services, and the enhanced role of the general practitioner (GP). As a result, Romania has progressed from a country in which family planning was outlawed to one having a network of 241 public sector family planning clinics (run by GPs), a network of private sector models, and a pharmacy sector that actively promotes modern contraception.

Public sector clinics are financed by the World Bank and staffed by personnel trained through a USAID-funded NGO that has led the Romanian family planning movement. USAID activities promote pharmacists as important providers of family planning information and services. Among young women aged 15–24, the use of modern contraceptive methods has almost doubled from approximately 11% in 1993 to 20% in 1996. USAID's 1999 Reproductive Health Survey is expected to demonstrate even greater gains in use of modern contraception.

Approximately 100 health and media leaders received training in women's health and family planning, thus developing a cadre of champions for women's health in Romania. Action plans developed by each trainee implement an aspect of women's health that has the potential to improve the quality of services provided and help maintain them as active partners in USAID's strategy. Pilot training in family planning service provision for over 100 general practitioners and nurses was held in Bucharest and the three counties. Pre-test and post-test scores of the trainees show a 30% knowledge improvement. Interviews with patients, clinics, and physicians also indicate a dramatic difference in the services they are able to provide to their patients. Nearly 500 additional trainees in the target counties and seven adjacent counties will now benefiting from the initial pilot training. This additional training will dramatically increase the access to and quality of reproductive health services, especially in under-served rural areas. Pharmacists in the target counties will receive training to further expand access to reproductive health services and supplies for the nearly 600,000 fertile women in those counties.

Model service delivery sites will introduce new standards of care, a patient-centered focus, and an emphasis on quality. Thirty-six sites, including family planning clinics and rural dispensaries where family planning services were not previously offered, have been identified to receive training and technical assistance to develop models for improved primary care and family planning services. A partnership to create a women's wellness center has been initiated and the center is scheduled to open in September, 1999. A Healthy Communities project in Constanta is involving the entire community in improving the quality of women's health services.

A nationwide, public education campaign was initiated in October 1998 in cooperation with a USAID-funded Women's Health Coalition. It utilizes information from previous USAID and other donor funded studies to develop appropriate messages and mechanisms informing women about modern contraception and other reproductive health services. These health fairs, town hall-style meetings, and other public information efforts in the three target counties is expected to dramatically impact the demand for reproductive health services (including family planning, pre- and post-natal care, breast and cervical cancer screening, and diagnosis and treatment of

HIV/AIDS and sexually transmitted diseases). A series of public events, articles in key publications, and a male responsibility campaign will also contribute to increased knowledge and demand for services.

USAID has also led in promoting women's health with key policy makers, both at the national and local government levels. Parliamentarians, Health Ministry and other government officials now recognize the importance of financing women's reproductive health. USAID partnerships with grassroots organizations help to maintain a network of advocates for reproductive health services and policy reforms. Important challenges lie ahead because inefficiencies and grave shortfalls in funding within Romania's health system will severely limit resources available for preventive services, including reproductive health.

USAID plays an important role in supporting health reform in Romania and the shift to an insurance-based system. A new Diagnosis Related Group (DRG)-based project has great potential as a model to help the GOR deal with inefficiencies and increasing medical costs. USAID will also establish a community-based primary care model with referral mechanisms that demonstrate how primary care can be cost-effective in a reformed system. Both projects have tremendous potential to impact the overall health care system.

USAID provides ongoing capacity-building assistance to the GOR and NGOs. This year, four NGOs were registered with USAID and will receive grants making them partners in USAID's health strategy. USAID technical assistance in other areas impacting health reform include, the development of an improved logistics management system to assure adequate contraceptive supplies and improve access.

Possible Adjustments to Plans: USAID will aggressively pursue a policy to involve volunteers and non-USAID recipient NGOs in our activities. The Mission will execute an approach to link people and groups into various activities, i.e., coordination, training, networking, to enhance impact and build system sustainability. The Mission's effort to build closer ties between the U.S. and Romanian NGOs and volunteers will serve overall U.S. foreign policy interests.

Other Donor Programs: USAID has successfully persuaded the World Bank, the Council of Europe, EU-Phare, and other bilateral donors to support the transition to a family-focused, community-based system of child welfare. The World Bank provides small grants to counties to develop community-based services. The Council of Europe helps modernize family-like institutions for children who cannot yet be returned to the community. EU-Phare is still planning future assistance. USAID is the principal donor in women's health. UNFPA is second and it develops model county programs in ways that complement USAID's strategy. UNICEF funds women's health and infection control programs.

Performance Data Tables

STRATEGIC OBJECTIVE: SO 3.2 Improve the welfare of children and women in Romania APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 3.2.1 Decrease dependency on use of institutions for children			
INDICATOR: Number of children in institutions in the three judets under the DCP.			
UNIT OF MEASURE: Children in Institutions SOURCE: Data for children placed in institutions under DPC obtained from World Vision and Holt. Data collected in January of each year is at a point in time. INDICATOR DESCRIPTION : # of children A: Constanta B: Cluj C: Iasi	YEAR	PLANNED	ACTUAL
	1997/B		A:1126 B: 592 C: 2274
	1998		A: 962 B: 592 C: 2150
	1999	A: 866 B: 550 C: 1939	
	2000	A: 780 B: 500 C: 1720	
	2001	A: 702 B: 430 C: 1550	
	2002	A: 632 B: 360 C: 1400	

STRATEGIC OBJECTIVE: SO 3.2 Improve the welfare of children and women in Romania APPROVED: COUNTRY/ORGANIZATION: USAID/Romania			
RESULT NAME: IR 3.2.1 Decrease dependency on use of institutions for children			
INDICATOR: Number of children served by community-based child welfare services in the three target judets.			
UNIT OF MEASURE: number of children receiving community-based services in the three target judets. SOURCE: Data for children placed in institutions under DPC obtained from World Vision and Holt. Data collected in January of each year is at a point in time. INDICATOR DESCRIPTION : # of children A: Constanta B: Cluj C: Iasi COMMENTS: It has been difficult to access data on institutions with much consistency in content, within or across institutions. One of the outcomes of the project will be to establish, in the three target judets, a consistent, monthly system of data collection on outcomes and service models. The goal of decreasing the number of children in institutions is predicated on the assumption that critical policy, systems and procedural changes are in place to support our strategic objective. If, in this first full year of the project, policies and, procedures are uncovered which present barriers to deinstitutionalization, additional legal/administrative interventions might be necessary.	YEAR	PLANNED	ACTUAL
	1997/B		A:884 B: 275 C: no project
	1998		A: 930 B: 625 C: 600
	1999	A: 954 B: 1154 C: 1000	
	2000	A: 977 B: 1331 C: 1000	
	2001	A: 1074 B: 1500 C: 2000	

STRATEGIC OBJECTIVE: SO 3.2 Improve the welfare of children and women in Romania
 APPROVED: COUNTRY/ORGANIZATION: USAID/Romania

RESULT NAME: IR 3.2.2 Improving women's welfare

INDICATOR: The proportion of women who use modern contraception.

UNIT OF MEASURE: Percentage
 SOURCE: Baseline surveys by CDC/IOMC in 1993 and 1996 for women under 25 years old.
 INDICATOR DESCRIPTION: percentage of women of reproductive age reporting use of modern contraception
 COMMENTS: National surveys, costing approx. \$650,000 each, were conducted in 1993 (all women), 1996 (young adults only) and will be conducted again in 2000. The young adult reproductive health survey revealed 20% of young adult women using modern contraception – but this is not comparable since the behavior of young adults is not generalizable to all women from age 15 to 44. In future, more precise data will be available on contraceptive use in the three target judets.
 *NB: An overall measure of women's health status is the **maternal mortality rate**, which has now decreased from an incredibly high level in 1990 of 83.6 per 100,000 to the present ratio of 41.4 per 100,000 live birth. USAID has actively participated in the effort to reduce this critical problem. However, much remains to be done, as nearly half of those death are associated with abortion. Ratios of maternal mortality in other countries of Western and Central Europe are closer to 10 per 100,000 live births or less, with a far smaller proportion of death associated with abortion.

YEAR	PLANNED	ACTUAL
1993	Baseline	14%
2000	20%	
2001	25%	
2002	30%	

SO 4.2 CROSSCUTTING: Human Capacity and Strategic Local Development

SO Summary: This SO supports the principle MPP goals and strategies already mentioned by promoting human capacity development in all strategic sectors, enhancing synergies across SOs that contribute to local development in specifically targeted counties (judets), and integrating other cross-cutting themes, including women in development, decentralized services for the unemployed, NGO coordination and volunteerism. It will additionally support the MPP strategy related to the elderly and disabled under the humanitarian assistance goal. Human capacity development is supported through the TRANSIT project, the Department of Labor "Labor Redeployment Program," and the Ron Brown Fellowship Program (administered by USIS). A results framework for integrated local development in target counties will be developed. It will be based upon synergies within existing USAID programs, enhancements through training and cross-cutting themes and improved coordination with other donor-funded activities and local initiatives. SO 4.2 also supports USAID's WID objective and the MPP goals to increase the contribution of American volunteers, Romanian-American technical advisors, and American NGOs.

Key Results: As a strategic mechanism to provide cross-cutting support to all other SOs, results under SO 4.2 are being tracked and measured through IRs and indicators in other SOs.

Performance and Prospects:

- **Human Capacity Development** The TRANSIT project continues to provide cross-cutting training support to all strategic objectives focusing, in particular, on S.O.s 1.4, 2.1, 2.3 and 3.2, (since SO 1.5 and 1.6 have separate training projects). The training approach has shifted from individuals to groups who return to Romania and form networks of skilled and knowledgeable change agents. Developing cadres of well-trained leadership groups has proven highly effective, particularly in child welfare and health where the basic human capacity to lead comprehensive systems reforms by SO 3.2 is now in place. Another result is the evolution of a network of local government leaders competent in budgeting and a cadre of skilled MIS staff to capably manage local citizen's information centers on a sustainable basis. A key element of this approach is the utilization of in-country training to reinforce and expand skills introduced during U.S. training. Follow-on training in community development, community-based services, women's health and capital markets has succeeded in adapting and consolidating knowledge and skills, and deepening implementation impacts. A new HBCU grant to develop the capacity of the Pharmacy faculty at the University of Cluj (under SO 3.2) will also contribute to human capacity development and wider access to women's health benefits.

The U.S. Department of Labor's (DOL) "Labor Redeployment Program," closely coordinated with the World Bank's "Employment and Social Protection Project," also supports human capacity by addressing the re-employment challenges created by downsizing massive public sector companies. DOL activities include measures for displaced workers, such as employment and relocation training and retraining, small business consulting and assistance, business incubators, public employment, and local development planning. Unfortunately DOL activities were delayed until early in CY 1999 due to postponements in the disbursement of the World Bank project funds. However, issues with the Ministry of Labor and Social Protection (MOLSP) have been addressed. Training for MOLSP staff and the new Agency for Unemployment and Redeployment in how to retrain and relocate laid off workers is now underway.

• **Targeting Local Development** Under SO 4.2, a model of best practices in local development will selectively integrate activities from all strategic objectives. Target counties will be selected and the results framework will be designed in FY 1999, in cooperation with key counterparts and other donors.

Three counties have already been targeted under SO 3.2 to demonstrate decentralized child welfare and women's health services. USAID has completed an inventory of activities under other strategic objectives and determined that our current local government, civil society development, DOL, environment and energy activities as well as our new SME strategy and Agribusiness activities offer useful inputs to target the selected counties. Environmental activities under S.O. 1.6 already link the environment with local economic growth strategies at the county level. Planning is already underway to target DEMNET support for local NGOS in select communities. Community empowerment training through TRANSIT can usefully be employed in the target communities. Ways to facilitate public-private partnerships will also be identified. The Mission expects its expanded NGO coordination and volunteer promotion program will further stimulate this integration of activities.

Other donor supported activities and local initiatives will be surveyed to determine which linkages would enhance decentralization, democratization, and local economic development and have greater and more visible impact in local communities. The World Bank will collaborate through its regional economic development programs with County Councils.

Under S.O. 3.2 in-country training in early spring will help formulate a strategic results framework for three counties and develop targets and indicators. With cross-cutting support from other S.O teams, this approach will foster active, empowered, decentralized communities in which the public, private for profit and non-profit sectors work together to pursue economic development goals and deliver key services.

• **Cross-Cutting Themes** The Mission's Women in Development activities have targeted the health and child welfare, artisan, and the small business sectors. The Mission's WORLDWID Fellow, funded by the Global Bureau, helped introduce participatory methods at the community level for citizen empowerment and worked with media on public health education. USAID has exceeded ENI's target to have 50% female participants in U.S. training activities for Romanians.

In addition to existing USAID volunteer activities and ongoing partnerships with local NGOs, two recent additions to USAID staff are facilitating additional linkages and coordination with American NGOs and promoting the contributions of American volunteers to local institutions and activities in a variety of sectors. The volunteer promotion and NGO coordination activities will complement USAID's local development strategy.

Possible Adjustments to Plans:

The TRANSIT program will continue to provide a flexible instrument to take advantage of new opportunities and training needs that arise as well as to support the MPP goals and all SOs and synergies among them. USAID is considering expansion of the DOL program to include Local Economic Development activities to address the labor adjustment inherent in Romania's accelerated financial reform and privatization.

This SO will also address the MPP strategy of supporting the elderly and the handicapped. Through work under SO 3.2, it has been established that at least 30% of the children placed in homes for the handicapped do not belong there. Similar to our child welfare strategy, SO 4.2 will emphasize decentralized, community-based services for the handicapped – such as, day care centers, special therapy groups and vocational training programs. This approach will complement SO 2.3 activities supporting local government administration of local services. NGO coordination and volunteer promotion will also be an important ingredient. The Mission will model community-based support to the elderly through a home care program implemented through a Romanian NGO in the county of Cluj. Another home care provider NGO may be supported in Bucharest. Community volunteers for the elderly will also be organized on a pilot basis.

III. RESOURCE REQUEST

Strategic Objective Cluster	\$ 000		
	FY 1999	FY 2000	FY 2001
S.O. 1 - Economic Growth	18,010	17,680	13,050
S.O. 2 - Democracy	9,100	6,120	5,050
S.O. 3 - Child Health	5,450	4,450	4,450
S.O. 4 - Special Initiatives	2,840	2,350	2,450
TOTAL	35,400	30,600	25,000

A. PROGRAM FUNDING

The USAID program coincides with the stated GOR plan and will help facilitate difficult structural changes and deepening of reforms necessary to achieve a legitimate market economy if the government follows through. It aligns closely with other donor activities so that our limited resources can have the maximum impact. The program also targets areas of comparative advantage where USAID resources can stimulate growth in the agricultural and micro/small/medium enterprise sectors, while encouraging U.S. participation in privatization, trade and investment opportunities. The portfolio widens the public's participation in decision-making through activities geared to decentralizing power to the localities, strengthening civil society groups, opening government processes and improving political parties.

The GOR looks to the USG, with assistance from other donors, to assist this difficult process. The process will require sustained performance and resources over the FY99 to FY2001 period to have the required results. Nonetheless, if certain reforms do not take place quickly, then the economy will continue to falter, undermining foreign and Romanian confidence. This decline will likely impact on democratic structures as frustration grows and more extremist positions gain recognition. The country faces both parliamentary and presidential elections in 2000, and it will be critical for the GOR to have measures in place prior to the campaign season. USG assistance is critical not only to put measures in place, but to show that benefits will flow to the people.

In view of the foregoing, USAID requires an additional \$5.0 million in both FY 2000 and FY 2001. Given the current regional situation, Romania's importance in the area, which is already high, doubly increases. Despite the economic quagmire, the reform government has accelerated

positive adjustment over the last six months. The vast majority of Romanians has stood by the reform process and ridden out the difficulties in estimable fashion. While program levels are slightly higher than its neighbors, per capita USAID assistance to Romania is significantly lower. In FY98, bilateral assistance to Moldova, with a population of 4.35 million, was \$32.8 million. While Bulgaria's population is only about 7-8 million compared to Romania's nearly 23 million, Bulgarian assistance was \$30 million in FY 1999 and \$28 million in FY 2000 which approaches the level of assistance to Romania. The GOR has been a firm advocate of U.S. initiatives at the risk of alienating some of its neighbors. With the 2000 elections nearing, it is incumbent that reforms demonstrate successful results. If reform-minded individuals win the elections, the USG should show its continued commitment by having additional funds available to foster new initiatives. Romania's economic prosperity and political stability are critical to U.S. foreign policy goals.

The MPP program is now taking shape. Over 50% of the budget is dedicated to economic growth as Mission plans for MSME (\$10.0-\$11.0 million over four years), agribusiness development (\$8.0-\$9.0 million over four years), business development (\$2.0 million over two years) solidify and smaller expending efforts in privatization and energy continue. The Mission's democracy program greatly expands in FY99 with new efforts directed at labor and political party development, young political leader exposure training, plus a new phase of the local government development program gearing up. USAID plans to forward fund many of these activities to reduce the pressure on the outyears as overall program resources fall and the potential grows for some type of election-related assistance in FY2000. The additional resources requested above will help expand the economic growth and democracy programs to deepen and broaden their impacts. Social sector activities targeting child welfare and women's health continue to comprise between 15 and 18% of the portfolio. The Mission envisions any expansion in this sector to result from its aggressive volunteer and NGO activities, plus smaller efforts related to the disabled and elderly are considered. The special initiatives' funding provides support for the three primary objectives, particularly in training and program backstop support.

It should be noted that with the financial crisis looming, the Mission might require access to Bureau performance funds to design specific, short-term measures. The Mission has already received a proposal from the Department of Labor requesting \$1.6 million over the next two years for special local economic development activities in the mining regions. This effort currently falls outside the budget for planned activities, but deserves funding from the performance funds to address a particularly delicate political situation in an economic crisis zone. USAID has also been asked to join the World Bank in providing technical assistance to problem banks to prevent collapse of the financial sector. This may also require performance funds. Additional funds might also be required for the Banking Supervision Project.

Any declines from the current budget levels will significantly reduce our readiness and flexibility to confront any significant economic crisis. Further, the Mission would begin to pare down or eliminate strategic objectives: the first two candidates being energy and social sector activities.

B. OPERATING EXPENSE BUDGET AND PERSONNEL

Operating Expense Budget

During FY 98 unplanned turnovers in direct hire personnel and a 45% inflation rate affected the Mission operating expenses. These trends have continued in FY 99. Pressure increased on operating expenses due to a 5% salary upward adjustment for FSN PSC salaries, backdated to March 1998, a spate of personnel hiring driven by USAID's expanded role in implementing the MPP and technology upgrades stemming from the Y2K issue and the MPP information/communication requirements.

The Mission has productively addressed the situation by reducing expenditures on lower priority items and by appropriately attributing cost percentages to program funds. Program funding levels, \$35.4 million in FY 99, will decline to \$ 30.6 million for FY 2000 and \$25 million in FY 2001. Nonetheless, the MPP calls for continued growth of the Mission activity portfolio to reach planned objectives. This will place continued strain on OE to support the expansion.

The Mission anticipates continued participation in the ICASS program which, for FY 99, is estimated to increase to \$ 274,000. ICASS costs are estimated at the same level for FY 2000. However, given the growth in staff size, the Mission might reassess its participation in ICASS and implement elements of its own GSO operations at lower costs using private sector mechanisms. USAID will consult with U.S. Mission staff to see if these less expensive approaches can be applied on a broader scale.

Fiscal year 1999

The required O.E. budget level for the current fiscal year is estimated to \$ 1,733,420. This level is based on the following rationale/ justification:

A 5% increase was provided for the FSN PSC salaries, backdated to March 1998. Additionally to that, Mission is planning to fill two administrative positions in order to meet staff support needs.

Costs associated with the turnovers of the USDH personnel are higher than what was estimated in the last R4 exercise. The Mission Director and GDO planned end-of-tours were in FY 2000. Because both of them will leave Mission during the current fiscal year for new assignments in Washington, the costs of their departures are to be funded by the Mission.

The Mission must also fund the costs associated with two new USDH assignments:

- Private Sector Officer
- New Mission Director

Due to the fact that the Private Sector Officer has a larger family than initially estimated, costs associated with the Education Allowance will increase.

Because the Agency was unable to provide a USDH Executive Officer to replace the present EXO whose tour at this Mission is ending in June 1999, USAID/ Washington is converting a Civil Service employee and this individual requires Mission-funded on-the-job training for seven weeks in Hungary and Romania. This unexpected cost will substantially increase pressure on the OE budget and cause us to reduce expenditures on other high priority matters.

The Mission was unable to receive reimbursement of VAT for local expenses. However, this is supposed to change this year. Although USAID/ Romania will make all efforts to recuperate the paid VAT before the end of this fiscal year, this still may not happen in time to have an impact on the budget. Thus, the Mission has to budget for such expenses.

Costs associated with residential utilities and with maintaining the office systems (equipment and communication system), as well as with the office communication are expected to increase due to inflation. GOR estimates inflation at 32% in 1999. However, thus far, inflation trends have far exceeded such estimates.

OE ICASS costs increased by 45% compared to last year levels.

USAID/W recently informed the Mission that its OE level would be \$1,350,000 nearly \$400,000 less than required. If not adjusted upward to our necessary level, the Mission would have to conduct a reduction-in-force, terminate leases including the for the office space and other draconian cuts severely impeding operations and our ability to reach results.

Fiscal year 2000

The requested OE budget level for FY 2000 is \$ 1,516,800. This level will ensure the normal level for Mission operations. If the Mission attempts to comply with OE targets, it will imperil USAID's ability to achieve its strategic objectives and undermine its support for the MPP. Slashing the OE to the target levels would force critical staff reductions in our EXO and PD/ Program Office. It will also cause severe reductions in staff training and travel as well as in procurement to support operations. At a time of expanding demands, it is imperative that the Mission maintains quality standards and our fiduciary responsibilities. By not meeting our request levels, the Mission will fall short.

In addition, the U.S. Mission has placed fast, efficient and low cost communication strategies high on the agenda. This requires systems to communicate with outside clients and inside colleagues, while also being able to tap into the information in the worldwide web. Currently, USAID staff can't have access to the worldwide web on their machines, because we would connect through a local area network. We can only meet the regulatory requirements by connecting through USAID/W. While stand alone web stations are being established through a local provider, the absence of an integrated system means that Mission staff can not efficiently use the Web, access critical internal agency information and effectively apply this web-based information in carrying out their duties. To realize the objective, the Mission will have to purchase a V-SAT system estimated to cost \$90,000. While this is a high initial investment, the long-term cost savings and increase in productivity will significantly help us to reach planned results.

Fiscal year 2001

The requested OE budget level for FY 2001 is \$ 1,524,760. Reducing to a target level of \$1,350,000 would have the same repercussions as outlined above.

Personnel

The approved USDH staffing level for FY 99 is six USDH personnel. This level is planned to decrease to five USDH for FY 2000. Based on these levels and the program resources to be managed by the Mission during this R4 period, the total work force level for FY 99 for USAID/Romania is planned to be 53 employees (including USDH staff). The Mission plans to maintain 51 employees through FY2001.

Accessing Global Bureau Services Through Field Support and Buy-Ins

Objective Name	Field Support and Buy-Ins: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)			
				FY 2000		FY 2001	
				Obligated by:		Obligated by:	
				Operating Unit	Global Bureau	Operating Unit	Global Bureau
S.O. 3.2	J.H. P.C.S/ 936-3052	Medium	one year		500		
S.O. 3.2	FMPD (MSH)/ 936-055	Medium	one year		200		
S.O. 3.2	New-To be determined	Medium	one year				500
S.O. 2.1	Labor development/ 936-5473	Medium	one year	950			
GRAND TOTAL.....				950	700		500

* For Priorities use high, medium-high, medium, medium-low, low

rsw/r401/fldsupsup99.wk4 - 12/8/98

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FY 1999 Budget Request by Program/Country

Program/Country: USAID/ Romania

20-Apr-99

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Scenario

O. # , Title		FY 1999 Request													Est. S.O. Expenditures	Est. S.O. Pipeline End of FY 99
	Bilateral/ Field Spt	Total	Micro-Enterprise	Agri-culture	Other Economic Growth	Children's Basic Education (*)	Other HCD	Population	Child Survival (*)	Infectious Diseases (*)	HIV/AIDS (*)	Other Health	Environ	D/G		
SO 1.1: Increased Transfer of State-owned Assets																
	Bilateral	0														
	Field Spt	3,100,000	0	0	3,100,000										2,500,000	760,000
		3,100,000	0	0	3,100,000	0	0	0	0	0	0	0	0	0	2,500,000	760,000
SO 1.3: Accelerated Development and Growth of Private Enterprises																
	Bilateral	0														
	Field Spt	10,060,000	2,250,000	1,610,000	6,200,000										7,500,000	1,980,000
		10,060,000	2,250,000	1,610,000	6,200,000	0	0	0	0	0	0	0	0	0	7,500,000	1,980,000
SO 1.4: Development of a Competitive Market-oriented Financial Sector																
	Bilateral	0														
	Field Spt	1,750,000			1,750,000										800,000	880,000
		1,750,000	0	0	1,750,000	0	0	0	0	0	0	0	0	0	800,000	880,000
SO 1.5: A more Economically-Sustainable and Environmentally Sound Energy Sector																
	Bilateral	0														
	Field Spt	1,100,000											1,100,000		500,000	120,000
		1,100,000	0	0	0	0	0	0	0	0	0	0	1,100,000	0	500,000	120,000
SO 1.6: Increased Environmental Management capacity to promote Sustainable Economic Growth																
	Bilateral	0														
	Field Spt	2,000,000											2,000,000		900,000	1,220,000
		2,000,000	0	0	0	0	0	0	0	0	0	0	2,000,000	0	900,000	1,220,000
SO 2.1: Increased Better-Informed Citizen's Participation in Political and Economic Decision-Making Through Pluralistic Mechanisms																
	Bilateral	0														
	Field Spt	5,850,000												5,850,000	2,600,000	1,580,000
		5,850,000	0	0	0	0	0	0	0	0	0	0	0	5,850,000	2,600,000	1,580,000
SO 2.3: More Effective, Responsive and Accountable local Government																
	Bilateral	0														
	Field Spt	3,250,000												3,250,000	1,300,000	1,000,000
		3,250,000	0	0	0	0	0	0	0	0	0	0	0	3,250,000	1,300,000	1,000,000
SO 3.2: Improved Welfare of Women and Children																
	Bilateral	0														
	Field Spt	5,450,000						1,200,000				4,250,000			3,800,000	2,850,000
		5,450,000	0	0	0	0	0	1,200,000	0	0	0	4,250,000	0	0	3,800,000	2,850,000
SO 4.2: Cross-cutting activities																
	Bilateral	0														
	Field Spt	2,840,000			2,840,000										2,000,000	320,000
		2,840,000	0	0	2,840,000	0	0	0	0	0	0	0	0	0	2,000,000	320,000
Total Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Field Support		35,400,000	2,250,000	1,610,000	13,890,000	0	0	1,200,000	0	0	0	4,250,000	3,100,000	9,100,000	21,900,000	10,710,000
TOTAL PROGRAM		35,400,000	2,250,000	1,610,000	13,890,000	0	0	1,200,000	0	0	0	4,250,000	3,100,000	9,100,000	21,900,000	10,710,000
FY 99 Request Agency Goal Totals				FY 99 Account Distribution (DA only)												
Econ Growth				16,140,000		Dev. Assist Program		35,400,000								
Democracy				9,100,000		Dev. Assist ICASS		100,000								
HCD				0		Dev. Assist Total:		35,500,000								
PHN				5,450,000		CSD Program		4,250,000								
Environment				3,100,000		CSD ICASS										
Program ICASS				100,000		CSD Total:		4,250,000								
GCC (from all Goals)				0		Prepare one set of tables for each appropriation Account Tables for DA and CSD may be combined on one table. For the DA/CSD Table, columns marked with (*) will be funded from the CSD Account										

Prepare one set of tables for each appropriation Account

Tables for DA and CSD may be combined on one table.

For the DA/CSD Table, columns marked with (*) will be funded from the CSD Account

Program/Country: USAID/ Romania

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O. # , Title		FY 2000 Request													Est. S.O. Expenditures	Est. S.O. Pipeline End of FY 00
	Bilateral/ Field Spt	Total	Micro-Enterprise	Agri-culture	Other Economic Growth	Children's Basic Education (*)	Other HCD	Population	Child Survival (*)	Infectious Diseases (*)	HIV/AIDS (*)	Other Health	Environ	D/G		
SO 1.1: Increased Transfer of State-owned Assets															Year of Final Oblig:	
	Bilateral	0														
	Field Spt	0														
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 1.3: Accelerated Development and Growth of Private Enterprises															Year of Final Oblig:2005	
	Bilateral	0														
	Field Spt	9,805,000	1,000,000	3,155,000	5,650,000											
		9,805,000	1,000,000	3,155,000	5,650,000	0	0	0	0	0	0	0	0	0	0	0
SO 1.4: Development of a Competitive Market-oriented Financial Sector															Year of Final Oblig:2002	
	Bilateral	0														
	Field Spt	4,500,000			4,500,000											
		4,500,000	0	0	4,500,000	0	0	0	0	0	0	0	0	0	0	0
SO 1.5: A more Economically-Sustainable and Environmentally Sound Energy Sector															Year of Final Oblig:2001	
	Bilateral	0														
	Field Spt	1,000,000											1,000,000			
		1,000,000	0	0	0	0	0	0	0	0	0	0	1,000,000	0		
SO 1.6: Increased Environmental Management capacity to promote Sustainable Economic Growth															Year of Final Oblig:2003	
	Bilateral	0														
	Field Spt	850,000											850,000			
		850,000	0	0	0	0	0	0	0	0	0	0	850,000	0		
SO 2.1: Increased Better-Informed Citizen's Participation in Political and Economic Decision-Making Through Pluralistic Mechanisms															Year of Final Oblig:2004	
	Bilateral	0														
	Field Spt	5,120,000												5,120,000		
		5,120,000	0	0	0	0	0	0	0	0	0	0	0	5,120,000	400,000	1,000,000
SO 2.3: More Effective, Responsive and Accountable local Government															Year of Final Oblig:2002	
	Bilateral	0														
	Field Spt	2,000,000												2,000,000		
		2,000,000	0	0	0	0	0	0	0	0	0	0	0	2,000,000	2,100,000	900,000
SO 3.2: Improved Welfare of Women and Children															Year of Final Oblig:2003	
	Bilateral	0														
	Field Spt	4,950,000						1,200,000				3,750,000				
		4,950,000	0	0	0	0	0	1,200,000	0	0	0	3,750,000	0	0		
SO 4.2: Cross-cutting activities															Year of Final Oblig:2005	
	Bilateral	0														
	Field Spt	2,375,000			2,375,000											
		2,375,000	0	0	2,375,000	0	0	0	0	0	0	0	0	0	2,100,000	570,000
Total Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Field Support		30,600,000	1,000,000	3,155,000	12,525,000	0	0	1								

FY 2001 Budget Request by Program/Country

Program/Country: USAID/ Romania

20-Apr-99

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Scenario

O. # , Title																		
		FY 20001 Request												Est. S.O.	Est. S.O.	Future		
	Bilateral/ Field Spt	Total	Micro- Enterprise	Agri- culture	Other Economic Growth	Children's Basic Education (*)	Other HCD	Population	Child Survival (*)	Infectious Diseases (*)	HIV/AIDS (*)	Other Health	Environ	D/G	Expendi- tures	Pipeline End of FY 01	Cost (POST- 2001)	
SO 1.1: Increased Transfer of State-owned Assets															Year of Final Oblig:			
	Bilateral	0																
	Field Spt	0																
		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
SO 1.3: Accelerated Development and Growth of Private Enterprises															Year of Final Oblig:2005			
	Bilateral	0																
	Field Spt	7,250,000	1,000,000	4,200,000	2,050,000										7,100,000	2,435,000	16,400,000	
		7,250,000	1,000,000	4,200,000	2,050,000	0	0	0	0	0	0	0	0	0	7,100,000	2,435,000	16,400,000	
SO 1.4: Development of a Competitive Market-oriented Financial Sector															Year of Final Oblig:2002			
	Bilateral	0																
	Field Spt	3,625,000			3,625,000										3,500,000	1,080,000	2,800,000	
		3,625,000	0	0	3,625,000	0	0	0	0	0	0	0	0	0	3,500,000	1,080,000	2,800,000	
SO 1.5: A more Economically-Sustainable and Environmentally Sound Energy Sector															Year of Final Oblig:2001			
	Bilateral	0																
	Field Spt	1,125,000											1,125,000		1,400,000	345,000	0	
		1,125,000	0	0	0	0	0	0	0	0	0	0	1,125,000	0	1,400,000	345,000	0	
SO 1.6: Increased Environmental Management capacity to promote Sustainable Economic Growth															Year of Final Oblig:2003			
	Bilateral	0																
	Field Spt	1,050,000											1,050,000		1,200,000	470,000	2,000,000	
		1,050,000	0	0	0	0	0	0	0	0	0	0	1,050,000	0	1,200,000	470,000	2,000,000	
SO 2.1: Increased Better-Informed Citizen's Participation in Political and Economic Decision-Making Through Pluralistic Mechanisms															Year of Final Oblig:2004			
	Bilateral	0																
	Field Spt	2,850,000												2,850,000	3,500,000	850,000	5,500,000	
		2,850,000	0	0	0	0	0	0	0	0	0	0	0	2,850,000	3,500,000	850,000	5,500,000	
SO 2.3: More Effective, Responsive and Accountable local Government															Year of Final Oblig:2002			
	Bilateral	0																
	Field Spt	2,200,000												2,200,000	2,100,000	1,000,000	1,800,000	
		2,200,000	0	0	0	0	0	0	0	0	0	0	0	2,200,000	2,100,000	1,000,000	1,800,000	
SO 3.2: Improved Welfare of Women and Children															Year of Final Oblig:2003			
	Bilateral	0																
	Field Spt	4,450,000						1,200,000				3,250,000			4,800,000	1,550,000	7,500,000	
		4,450,000	0	0	0	0	0	1,200,000	0	0	0	3,250,000	0	0	4,800,000	1,550,000	7,500,000	
SO4.2: Cross-cutting activities															Year of Final Oblig:2005			
	Bilateral	0																
	Field Spt	2,450,000			2,450,000										2,500,000	520,000	6,000,000	
		2,450,000	0	0	2,450,000	0	0	0	0	0	0	0	0	0	2,500,000	520,000	6,000,000	
Total Bilateral		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Field Support		25,000,000	1,000,000	4,200,000	8,125,000	0	0	1,200,000	0	0	0	3,250,000	2,175,000	5,050,000	26,100,000	8,250,000	42,000,000	
TOTAL PROGRAM		25,000,000	1,000,000	4,200,000	8,125,000	0	0	1,200,000	0	0	0	3,250,000	2,175,000	5,050,000	26,100,000	8,250,000	42,000,000	
FY 01 Request Agency Goal Totals			FY 01 Account Distribution (DA only)															
Econ Growth			9,125,000		Dev. Assist Program		25,000,000											
Democracy			5,050,000		Dev. Assist ICASS		100,000											
HCD			0		Dev. Assist Total:		25,100,000											
PHN			4,450,000		CSD Program		3,250,000											
Environment			2,175,000		CSD ICASS													
Program ICASS			100,000		CSD Total:		3,250,000											
GCC (from all Goals)			0															
Prepare one set of tables for each appropriation Account Tables for DA and CSD may be combined on one table. For the DA/CSD Table, columns marked with (*) will be funded from the CSD Account																		

Prepare one set of tables for each appropriation Account
Tables for DA and CSD may be combined on one table.
For the DA/CSD Table, columns marked with (*) will be funded from the CSD Account

USAID/ Romania Program Budget by field SO and ENI
Project/ Activity

Project no.		FY 99 Budget (\$)	FY 2000 Budget (\$)	FY 2001 Budget (\$)
SO 1.1 Increased Transfer of State-owned Assets				
180-0014	Privatization and Enterprise Restructuring	1,000,000	0	0
	CARANA-Incr.funding TO modf.6	68,545	0	0
	New-Privatization	931,455	0	0
180-0027	Business Services	2,100,000	0	0
	Econ.reform, taxes, fiscal policy-US Treasury	2,100,000	0	0
	SO TOTAL	3,100,000	0	0
SO 1.3 Accelerated Development and Growth of Private Enterprises				
180-0023	Technical Assistance to Enterprises	2,550,000	2,550,000	3,550,000
	Peace Corps	50,000	50,000	50,000
	Incremental funding ATA	342,000	0	0
	New - Support private MSME Activities	2,158,000	2,500,000	3,500,000
180-0024	Restructuring Agriculture and Agribusiness	1,610,000	3,155,000	3,700,000
	New- agribus.activ-TBD	1,410,000	1,500,000	3,500,000
	Agribusiness advisor	200,000	0	200,000
	LOL	0	620,000	0
	ACDI/ VOCA	0	785,000	0
	USDA	0	250,000	0
180-0010	Enterprise Funds	5,900,000	4,100,000	0
	Romanian-American Enterprise Fd.	5,900,000	4,100,000	0
	SO TOTAL	10,060,000	9,805,000	7,250,000
SO 1.4 Development of a Competitive, Market-oriented Financial Sector				
180-0014	Financial Markets Development & Privatization Asst.	1,350,000	2,100,000	1,700,000
	TBD- Financial Markets	300,000	500,000	500,000
	New-Privatization	0	800,000	1,000,000
	Bank Supervision and Training	800,000	800,000	0
	TBD-Financial Advisor	250,000		200,000
180-0026	Competition Policy, Laws & Regulations	400,000	0	0
	Bankruptcy	400,000	0	0
180-0027	Business services	0	2,400,000	1,925,000
	Econ.reform, taxes, fiscal policy-US Treasury	0	1,900,000	1,425,000
	FSVC	0	500,000	500,000
	SO TOTAL	1,750,000	4,500,000	3,625,000
SO 1.5 A More Economically-Sustainable and Environmentally Sound Energy Sector				
180-0030	Regional Energy Efficiency	1,100,000	1,000,000	1,125,000
	New- Restructuring	750,000	750,000	800,000
	New-Energy Efficiency	250,000	250,000	250,000
	US PSC (Musatescu)	100,000	0	75,000
	SO TOTAL	1,100,000	1,000,000	1,125,000
SO 1.6 Increased Environmental Management Capacity to Promote Sustainable Economic Growth				
180-0039	Improved Public Sector Environmental Services	600,000	450,000	650,000
	New-Pollution Reduction	400,000	450,000	450,000
	US PSC (Fischer)	200,000	0	200,000

USAID/ Romania Program Budget by field SO and ENI
Project/ Activity

Project no.		FY 99 Budget (\$)	FY 2000 Budget (\$)	FY 2001 Budget (\$)
180-0004	Environmental Initiatives	1,400,000	400,000	400,000
	Environmental policy	400,000	0	0
	New Initiatives	1,000,000	400,000	400,000
	SO TOTAL	2,000,000	850,000	1,050,000

SO 2.1 Increased Better-Informed Citizens' Participation in Political and Economic Decision-Making Through Pluralistic Mechanisms

180-0020	Rule of Law	1,400,000	1,070,000	1,300,000
	ABA Grant	400,000	300,000	300,000
	New-Anti-Corruption -TBD	1,000,000	770,000	1,000,000
180-0021	Political and Social Process	2,900,000	2,750,000	800,000
	Parliamentary Assistance-DAI	350,000	0	0
	Reform T/A and training (RGTS)	300,000	200,000	200,000
	New- Training Young political leaders/ Gov't-TBD	350,000	720,000	350,000
	New-Political party exchange program-NDI	750,000	500,000	0
	New-Legal and voter identif.-IFES	100,000	0	0
	New-Exchange progr.for polit.leadr.-IRI	350,000	350,000	250,000
	New- Trade unions-AFI-CIO	700,000	980,000	0
180-0022	Independent Media	250,000	0	0
	Professional Media Program	250,000	0	0
180-0032	Non Governmental Organization (NGO) Dev.	500,000	1,250,000	700,000
	New-Civil Society-TBD	500,000	1,100,000	500,000
	Democracy Advisor-	0	150,000	200,000
180-XXXX	Transferred or Withheld from OYB	800,000	50,000	50,000
	Transfer to USIA	800,000	50,000	50,000
	SO TOTAL	5,850,000	5,120,000	2,850,000

SO 2.3 More Effective, Responsive and Accountable Local Government

180-0019	Democratic Governance and Pub. Admin	3,250,000	2,000,000	2,200,000
	New-Local Gov.Assistance-TBD	1,600,000	1,000,000	1,000,000
	USPSC	250,000	100,000	200,000
	New-Municipal Credit	1,400,000	900,000	1,000,000
	SO TOTAL	3,250,000	2,000,000	2,200,000

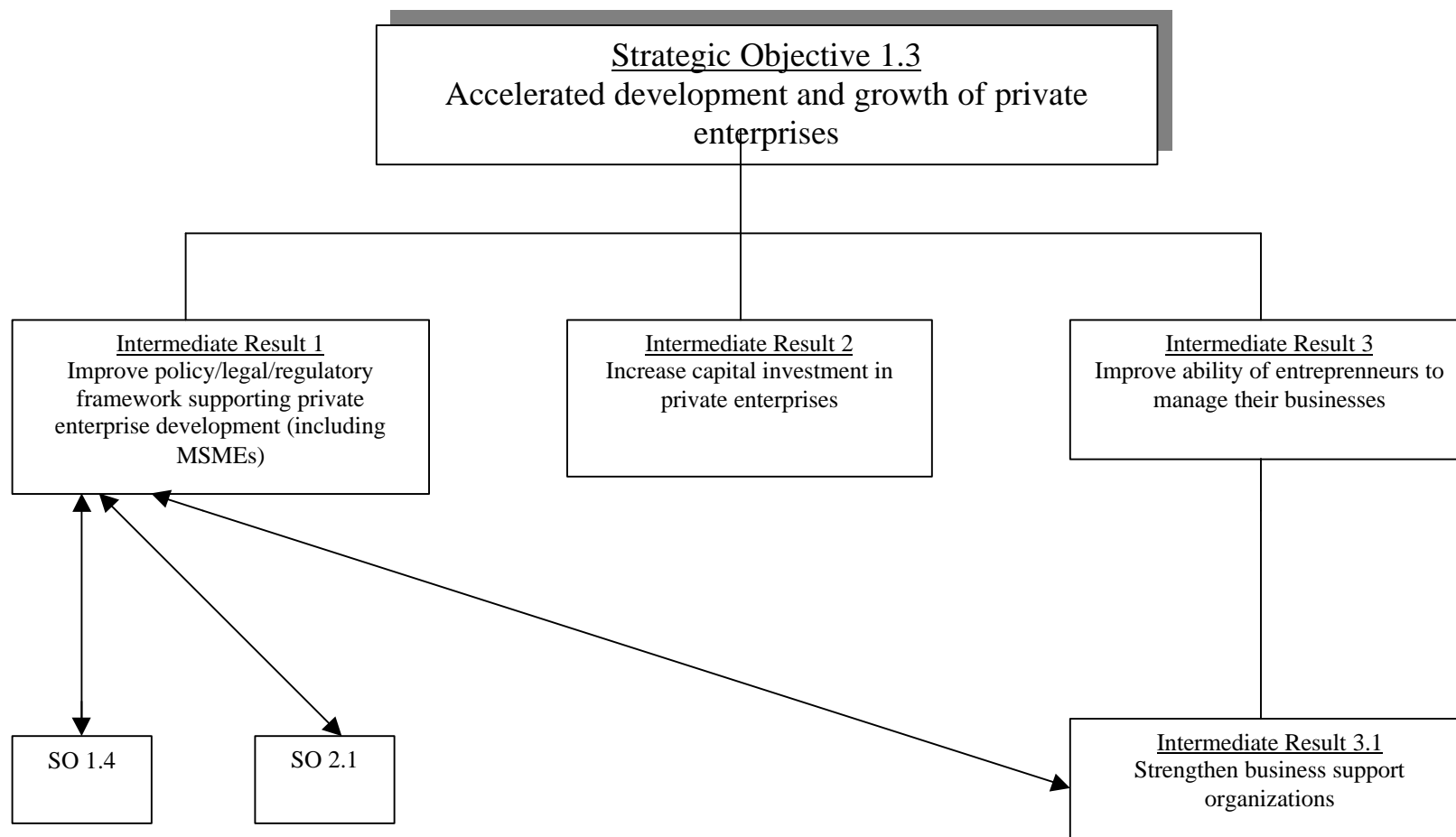
SO 3.2 Improved Welfare of Women and Children

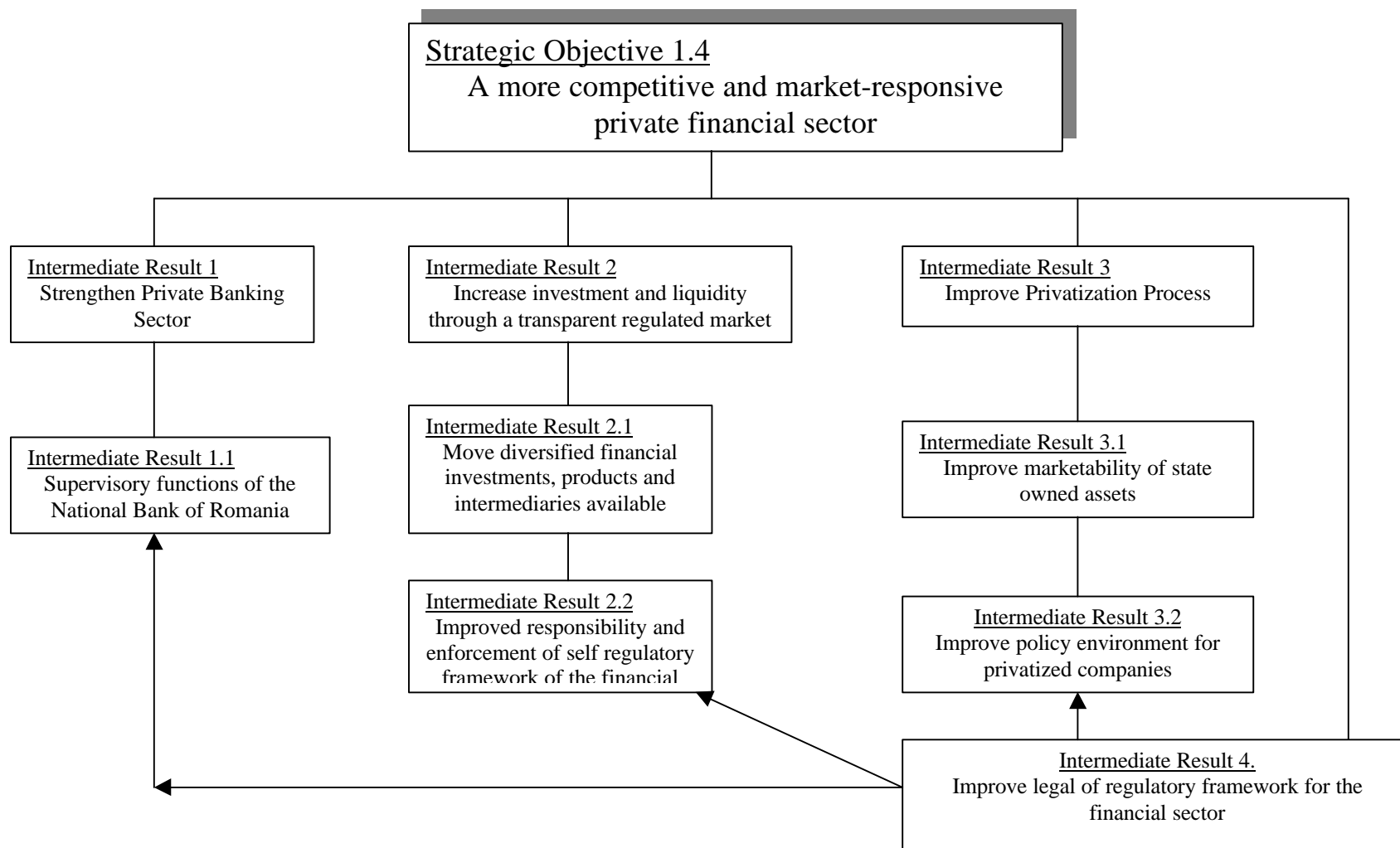
186-0002	Romanian Family Planning	1,875,000	1,950,000	1,750,000
	New- Family planning	600,000	850,000	650,000
	USPSC- Monaghan	150,000	0	200,000
	CA-Pharmaceutical Training-Howard University	350,000	0	0
	CA-incremental funding-SECS	75,000	300,000	300,000
	JHPSC (Global)	500,000	400,000	300,000
	FMPO-MHS(Global)	200,000	400,000	300,000
180-0016	Trauma, Social Welfare & Humanitarian Assistance	3,000,000	3,000,000	2,700,000
	USPSC-Correll	200,000	0	200,000
	New-Media Campaign-TBD	125,000	0	0
	Incr.funding-World Vision/ Bethany	1,500,000	1,500,000	1,500,000
	New- Child welfare-TBD	598,000	1,000,000	1,000,000
	Incr.funding-HOLT	77,000	0	0
	New-Social sector activities-TBD	500,000	0	0
	New- Volunteer support	0	500,000	0
180-0037	Partnerships in Health Care	200,000	0	0
	AIHA	200,000	0	0

USAID/ Romania Program Budget by field SO and ENI
Project/ Activity

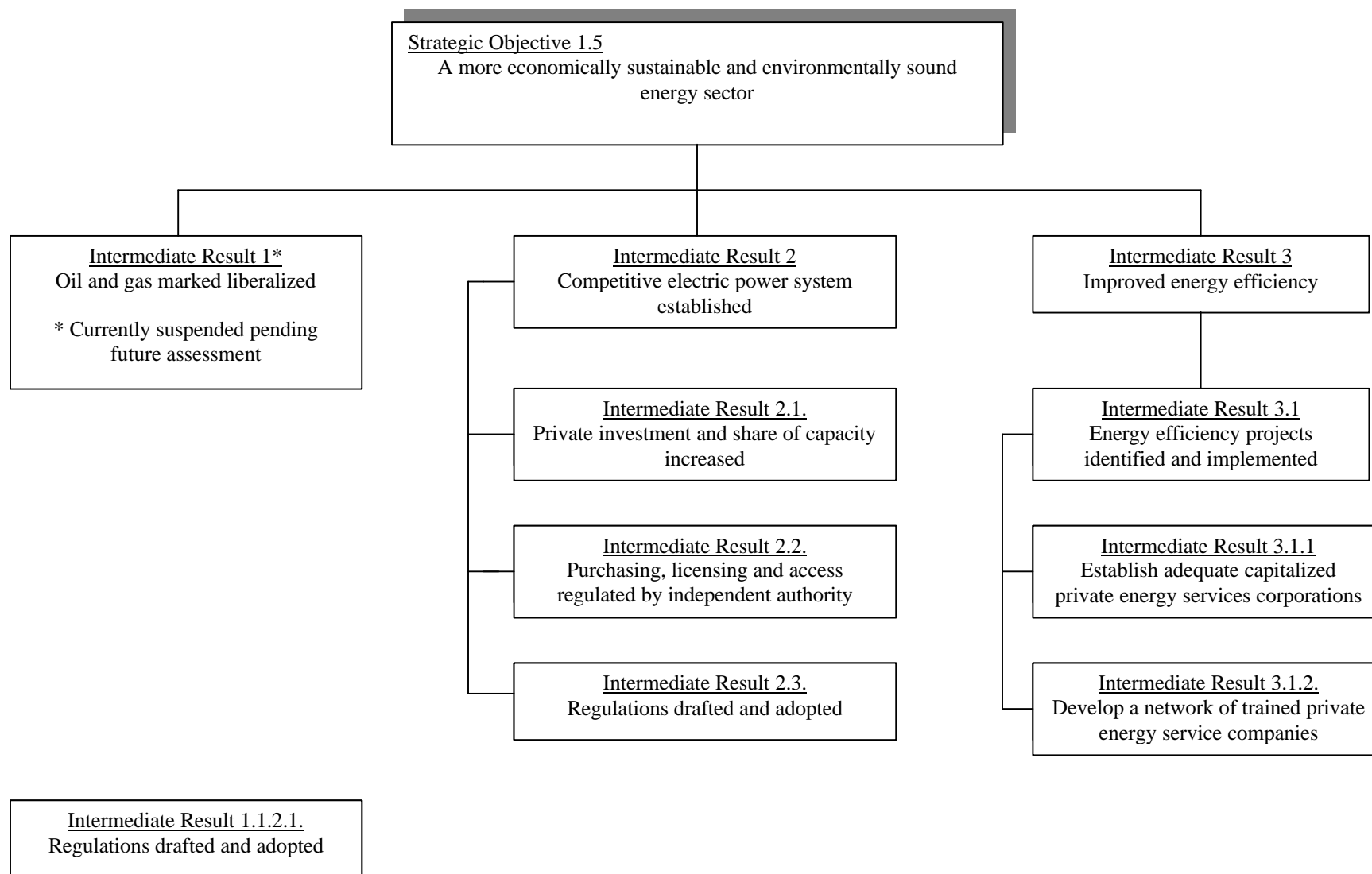
Project no.		FY 99 Budget (\$)	FY 2000 Budget (\$)	FY 2001 Budget (\$)
180-0038	Promotion of Health Markets	375,000	0	0
	New- Health Care/ reform-TBD	175,000	0	0
	DHHS	200,000	0	0
	SO TOTAL	5,450,000	4,950,000	4,450,000
SO 4.2 Cross-cutting activities (Human Capacity and Strategic Local Development)				
180-0033	Labor Market Transition	340,000	300,000	250,000
	DOL	340,000	300,000	250,000
180-0045	Participant Training	1,650,000	1,250,000	1,250,000
	Participant Training - World Vision	1,650,000	1,250,000	1,250,000
180-XXXX	Transferred or Withheld from OYB	250,000	250,000	250,000
	Ron Brown Scholarships	250,000	250,000	250,000
180-0249	Audit, Evaluation, and Project Support	600,000	575,000	700,000
	Evaluation	100,000	0	100,000
	Project Support	500,000	575,000	600,000
	SO TOTAL	2,840,000	2,375,000	2,450,000
COUNTRY TOTALS		35,400,000	30,600,000	25,000,000

ROMANIA STRATEGIC FRAMEWORK
SO 1.3

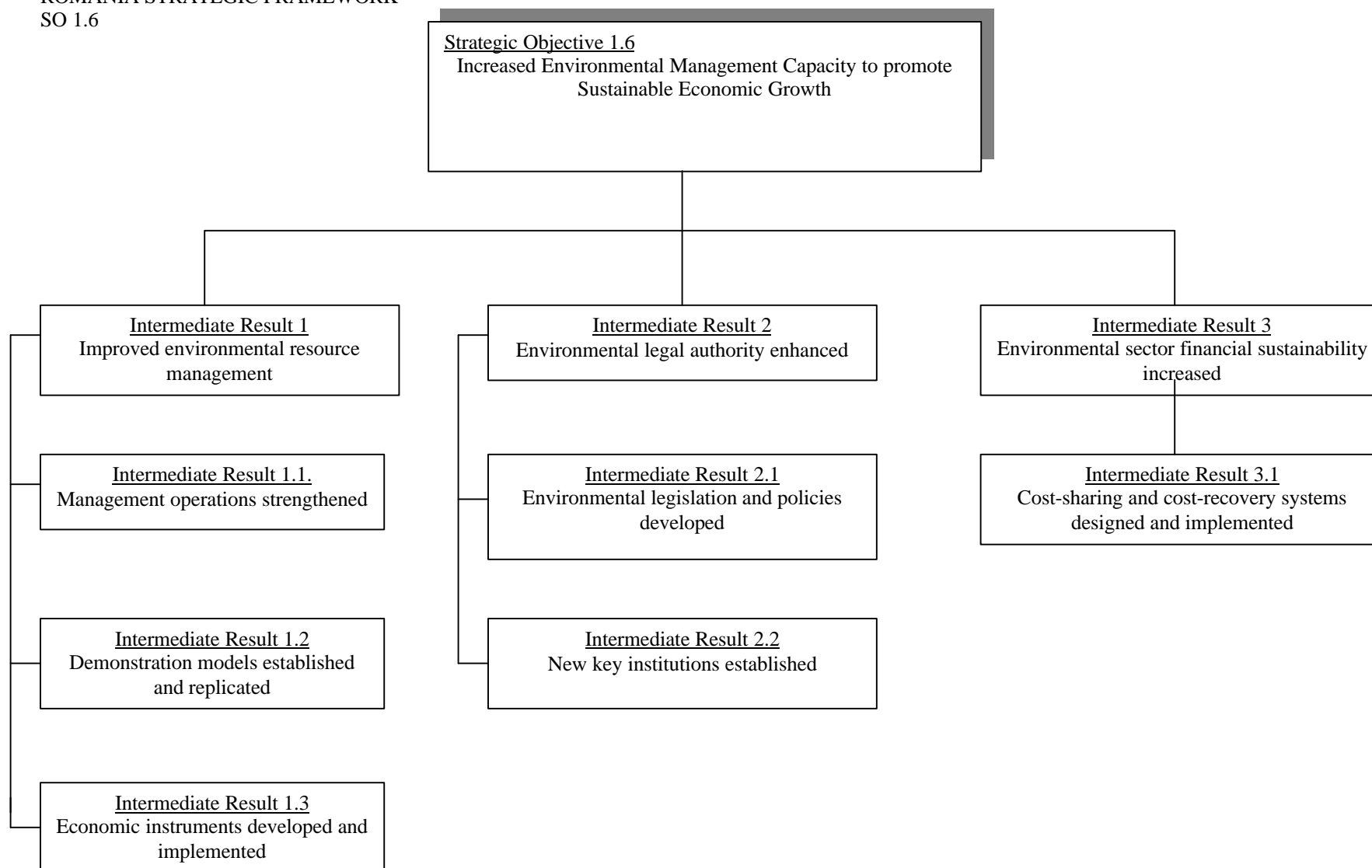




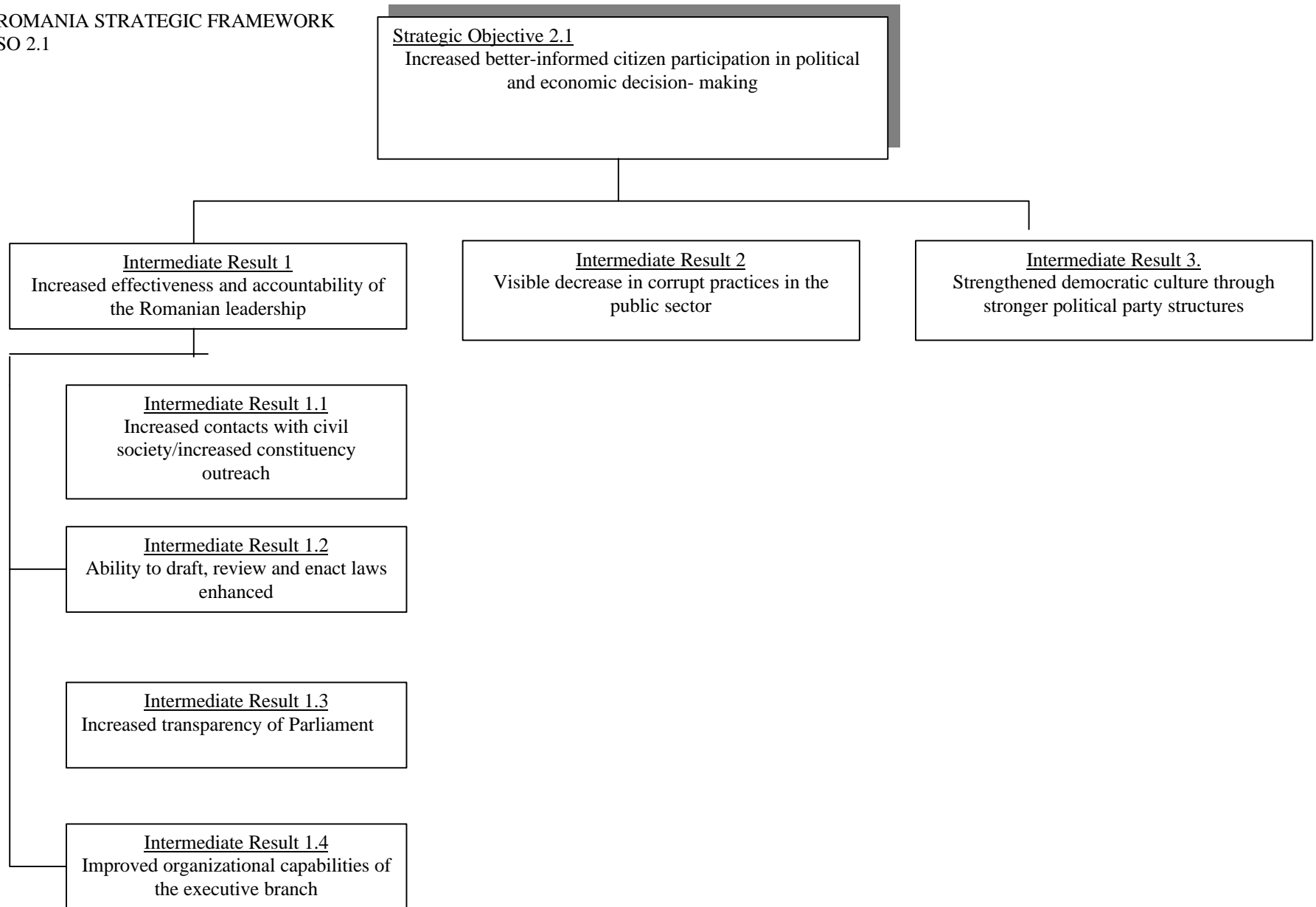
ROMANIA STRATEGIC FRAMEWORK
S O 1.5



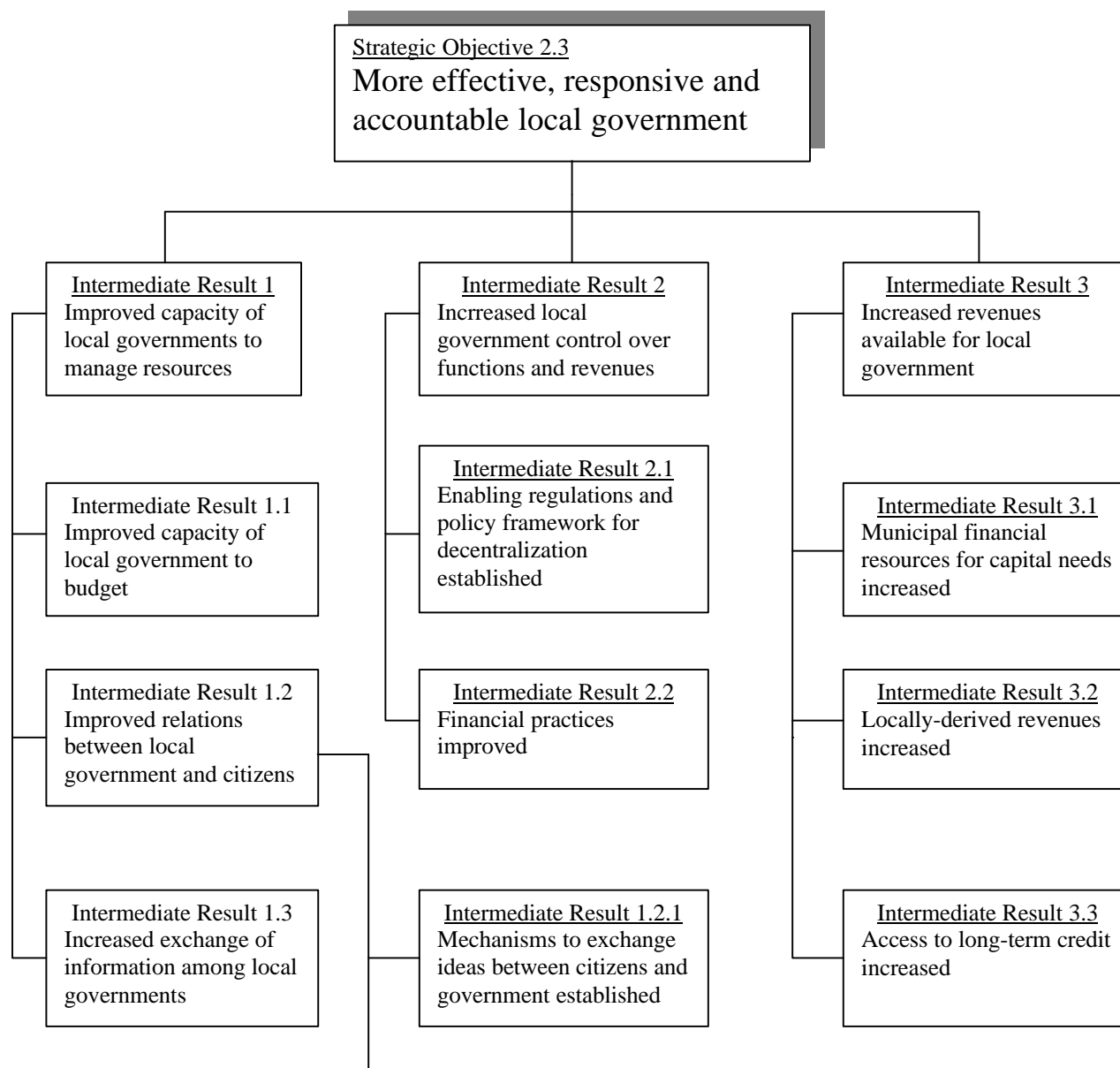
ROMANIA STRATEGIC FRAMEWORK
SO 1.6



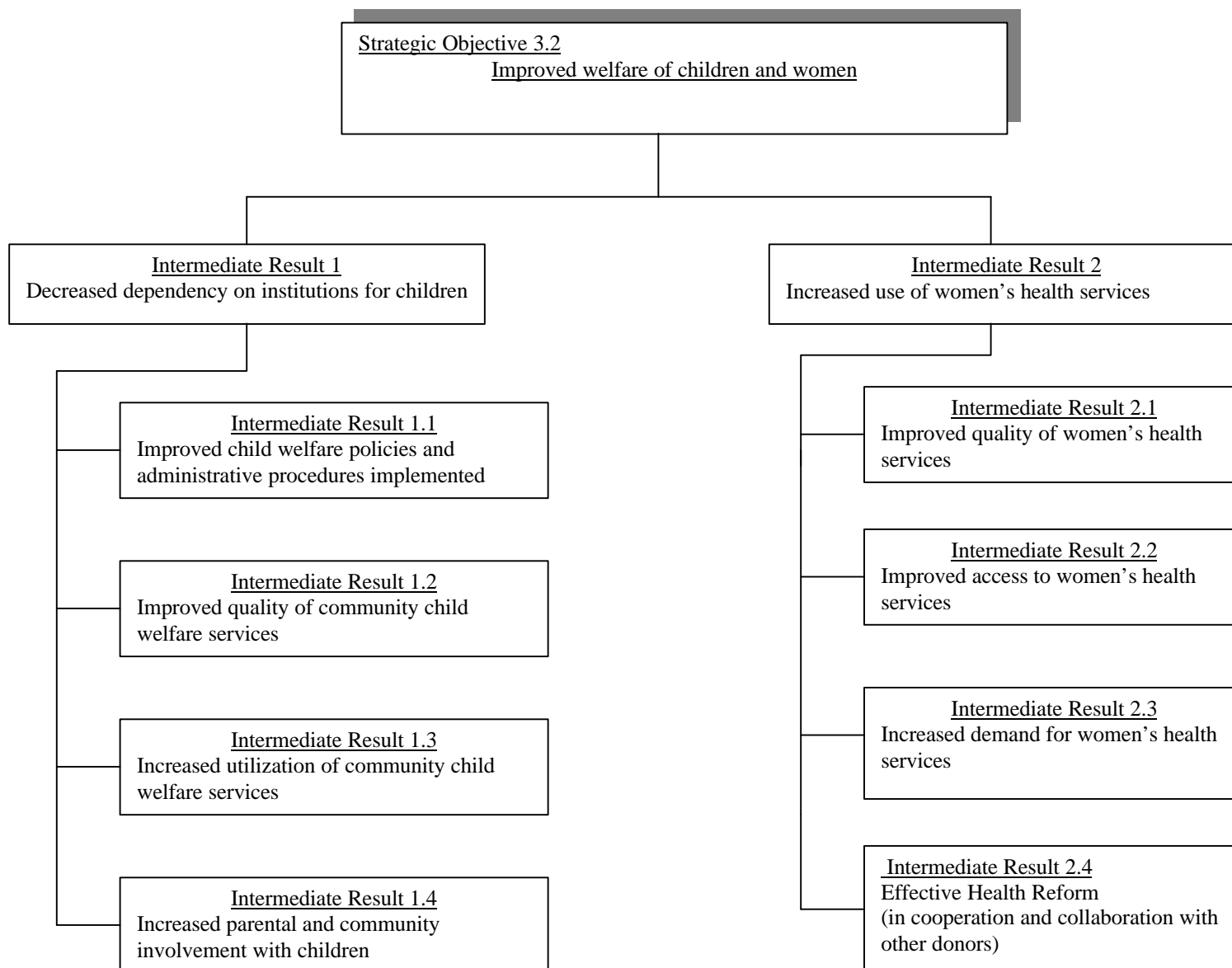
ROMANIA STRATEGIC FRAMEWORK
SO 2.1



ROMANIA STRATEGIC FRAMEWORK
SO 2.3



ROMANIA STRATEGIC FRAMEWORK
SO 3.2



Supplemental Information Annex: Environmental Impact

ENI/EEUD/ENR was primarily responsible for assuring compliance of all Mission activities through FY98. The Mission does not maintain records of IEEs and EAs conducted prior to FY1998. In FY 1998, the Mission required ENI/EEUD support to make environmental determinations for Privatization and Enterprise Restructuring (180-0014) and Enterprise Funds (180-0014) regarding 22 CFR 216 issues. In FY 1999, two IEEs were completed for the Romanian Agribusiness Development Project under the Food Systems Restructuring Project (180-0024). Both IEEs recommended categorical exclusion because the planned training and technical assistance would not require additional environmental assessment and impact statements. These records are available at the Mission, with ENI/ED/AG and they have been submitted to the ENI Bureau Environmental Officer for records and review. Should the Mission or the Bureau determine later during implementation process that certain activities have an adverse environmental impact, these IEEs will be revised accordingly, and an environmental evaluation and monitoring process will be also initiated. No new activities with the exception of, "Environmental Policy Information Center (EPIC)," (180-0004) were undertaken in FY 1998. Insofar as this is a regional policy project, it has a categorical exclusion.

In FY 1999, the Mission expects to initiate a new business development activity (180-0010) that is unlikely to have adverse environmental impact. New activities in agriculture, environment and energy that may require environmental determinations are not likely to get underway until late in FY 1999. Therefore, the Mission's Environmental Officer, working in cooperation with AID/W will make a determination about any needed support and will notify the ENI/ BEO accordingly. It is most likely that IEEs for new activities will be planned for early FY 2000.

In the future, the Mission will rely upon its Environmental Officer to make a thorough review of Romania programs and report to Mission management and ENI/EEUD/ENR concerning the need for IEEs, and need for environmental support to the Mission and regarding compliance issues.

Global Climate Change Indicator 2: Increased capacity to meet requirements of the UNFCCC

This indicator measures categories in which capacity is strengthened through training/technical assistance. Please report on each category addressed with USAID support or as a result of USAID efforts. Please check whether capacity is strengthened through training, technical assistance or both, and list the activity(ies) that contribute to each of the capacity building categories. Please report on other areas not listed, if appropriate.

Country: <u>Romania</u> Categories	Types of Support Provided		List the Activity(ies) that Contribute to Each Capacity Building Category
	Training	Technical Assistance	
Monitoring and verifying GHG emissions			Demonstrations and training will be conducted in CY1999 with FY98 funds on emissions inventory and pollution control
Growth baselines for pegging GHG emissions to economic growth			
Development of emissions reduction targets and timetables			
Support for activities implemented jointly			
Pollution Prevention to Reduce Emissions Levels	Training on the use of pollution prevention to reduce GHG emissions	Technical assistance thorough the PPC has demonstrated the use of pollution prevention to reduce GHG emissions.	
NGO Capacity Developed			Anticipate Grants related to Greenhouse Gas Reductions will be issued in CY99
Air Framework Law and emissions policy			Work anticipated under FY99 funding
Development of Environmental Service Industry			Technical assistance to improve the environmental service industry will be supported in CY99 with FY98 funds
Total number of points for Training/technical assistance	1	1	